

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT  
OF THE  
CITY OF ORANGE CITY, IOWA  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2007**

Prepared by the  
Office of the City Administrator  
Duane Feekes, City Administrator

**CITY OF ORANGE CITY, IOWA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2007  
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December 31, 2007

To the Honorable Mayor, Members of the City Council, and Citizens of the City of Orange City:

State law requires that every general-purpose local government publish within nine months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2007.

Management assumes responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Williams & Company, P.C., Certified Public Accountants, have issued an unqualified "clean" opinion on the City of Orange City's financial statements for the year ended June 30, 2007. The independent auditors' report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

### **Profile of the Government**

The City of Orange City incorporated in 1884, is located in the Northwest corner of the State of Iowa, and is the county seat of Sioux County. The City of Orange City is empowered to levy a property tax on both real and personal property located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which it has done from time to time.

The City of Orange City operates under the council-administrator form of government. Policy-making and legislative authority are vested in a governing council (Council) consisting of the mayor and five Council members. The Council appoints the government's administrator, who in turn appoints the heads of the various departments with council approval. Council members serve four-year terms. The mayor is elected for a two-year term. The council members are elected on a staggered basis.

**"A GOVERNMENT OF SERVICE"**

The City Administrator has operating responsibilities for all City functions excluding the Library and Hospital.

The City of Orange City provides a full range of Municipal services which includes police and fire protection; the construction and maintenance of streets, and other infrastructure; recreational and cultural activities; general administration and medical care facilities. The City of Orange City also owns and operates the electric, water, sewer, and gas utilities. The City of Orange City also is financially accountable for a legally separate hospital board of which is reported separately within the City of Orange City's financial statements. Additional information on the hospital can be found in the notes to the financial statements.

The Council is required to adopt a final budget by no later than March 15<sup>th</sup> each year. This annual budget serves as the foundation for the City of Orange City's financial planning and control. Iowa codified law requires the adoption of legal budgets for expenditures on a program basis. Although the budget document presents program expenditures by fund, the legal level of control is at the aggregated program level not at the fund level.

### **Local Economy**

Orange City is located in Sioux County in the northwest portion of Iowa, which is noted for its excellent cropland and livestock production numbers. Industry plays a big part in Orange City's economic condition with the biggest three employers being American Identity, Inc., an advertising product manufacturer, Advance Brands, Inc., a ready-to-cook food producer, and Diamond Vogel Paint and Wax, a full line paint manufacturer.

The City's economic outlook continues to be positive, with industry and commercial business showing continued growth in product lines and employment.

Fiscal year 2006-2007 was another great year for the community of Orange City. Many exciting trends and projects are taking place that continue to improve the quality of life for its citizens.

The City partnered with the school district to develop a new fitness center complex. The complex opened on August 17, 2006. The Fitness center had approximately 400 members at the end of this fiscal year. The City and school district formed a 28E agreement which established a committee of six to oversee the usage of the fitness center addition to the high school.

The City made many changes to their park system this past year. We built a Farmers Market building, built a water canal, added a splash pad to our pool, as well as added a skateboard park. The City received a state grant in the amount of \$95,000 to help with the costs of this project. We will be completing this park project next fiscal year. The total cost of the park project is around one million dollars.

The City water department added a new well to their water system. The well field is located southwest of town. The additional well will bring 800 gallons of water per minute to the water plant. This well will give the City a total capacity of 2800 gallons of water per minute. The cost of this well was \$300,700 dollars.

The City is developing a new housing subdivision called Puddlejumper 4<sup>th</sup> Addition. This addition will extend off of 11<sup>th</sup> Street SE, along the Puddlejumper Trail creating 25 lots. The estimated cost of this project is \$225,000.

The City of Orange City plays an important part in the community growth, which will continue with active participation in the planning process of our community.

### **Long-Term financial planning**

Management of the City of Orange City is responsible for establishing and maintaining internal controls designed to ensure that the assets of the government are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the presentation of financial statements in conformity with generally accepted accounting principles. The internal control system is designed to provide reasonable, but not absolute, assurance that these objectives are met.

Unreserved, undesignated fund balance in the general fund falls within the policy guidelines set by the Council for budgetary and planning purposes (i.e., between 30 and 40 percent of total general fund revenues). Following its recent review of the City of Orange City's strategic plan, the Council plans on keeping the percentage the same for the following year, this will reduce the amount that will be needed to borrow to finance future construction.

### **Awards and Acknowledgements**

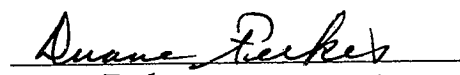
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Orange City for its comprehensive annual financial report (CAFR) the year ended June 30, 2006. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local governmental financial reports.

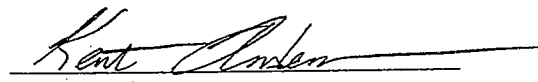
In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City of Orange City has received a Certificate of Achievement for the last 25 consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

The preparation of this report would not have been possible without the efficient and dedicated service of the entire office staff. We wish to express our appreciation also to all our City employees for their dedication to making city services the best. Credit also must be given to the Honorable Mayor and City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Orange City's finances.

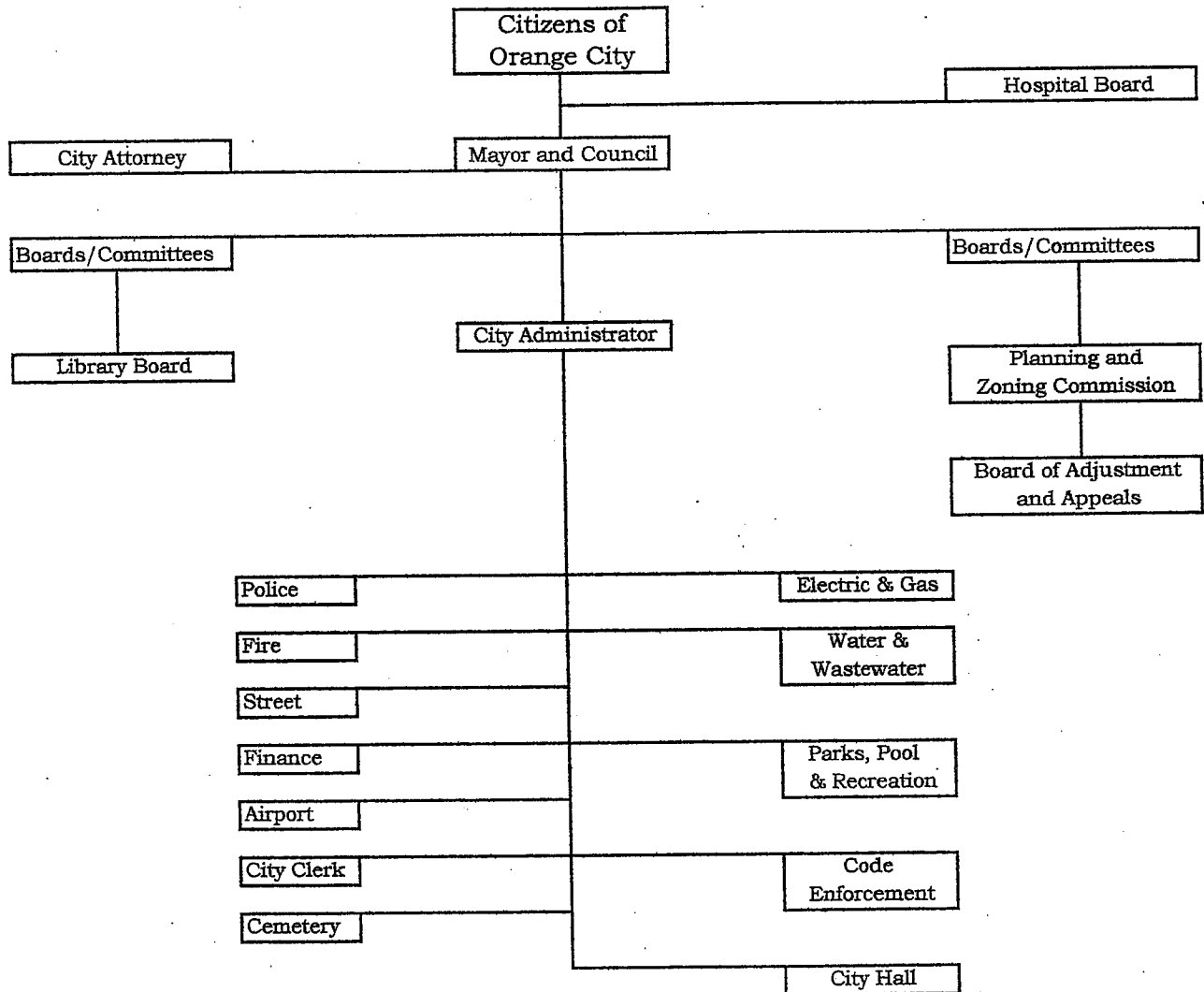
Respectfully submitted,

  
Duane Feekes  
City Administrator

  
Kent Anderson  
Finance Officer

# CITY OF ORANGE CITY, IOWA

## ORGANIZATIONAL CHART





CITY OF ORANGE CITY, IOWA

Directory of City Officials  
Elected City Officers  
June 30, 2007

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**MAYOR**

Daryl Beltman

**COUNCIL MEMBERS**

Bonnie Meier  
Steve Roesner  
Mick Snieder  
Bruce Muilenburg  
Earl Woudstra

**HOSPITAL TRUSTEES**

Les Douma - Secretary  
Randy Jacobsma - Vice Chairman  
Russ Adams  
Shirley Van Wechel  
Tim Zeutenhorst - Chairman  
Brenda Herda  
Gary Vande Vegte

**APPOINTED CITY OFFICERS**

Duane Feekes  
City Administrator

Loren Veldhuizen  
City Attorney

## APPOINTED BOARDS AND COMMISSIONS

### ZONING BOARD OF APPEALS

Gary Cleveringa, Chairman  
John Kooiman, Vice Chairman  
John Zeutenhorst  
Don Engelties  
Audley Van Peurseem

### PLANNING AND ZONING COMMISSION

David Van Engelenhoven, Chairman  
Mark Lundberg, Vice Chairman  
Scott Heemstra  
Marlin Vollink  
Rhonda Moret  
Scott Simmelink  
Dale Pluim

### ARTS COUNCIL

Karen Barker, President  
Leanne Bonnecroy, Vice President  
Keith Allen, Secretary  
Kim Starkenburg, Treasurer  
Jim Daniels  
Mike Stokes  
Margene Eekhoff  
Lori Kroeze  
Coleman McAllister  
Dori Wooldridge  
Marilyn Van Engelenhoven  
Joyce Bloemendaal, Executive Director

### LIBRARY BOARD OF DIRECTORS

John Buntsma, President  
Coleman McAllister, Vice President  
Jim Ludens, Treasurer  
Mary Vande Brake, Secretary  
Leora Olson  
Peg Juffer  
Bruce Leuer

### FIRE DEPARTMENT

Scott Arft  
Mike Avery  
Jason Bruinsma  
Rob Bruxvoort  
Kevin Dekker  
Brian De Kock  
Jon DeKoster  
Brad De Vos  
David Dykstra  
Michael Dykstra  
Josh Dykstra  
Mel Elsberry  
Chad Hase  
Tim Huffman  
Alan Jeltema  
Gary Jeltema  
Darwin Koele  
John Lambert  
Ann Lundberg  
Ken Meendering  
Cory Riemersma  
Mike Ritz  
Dan Roghair  
Dan Schram  
Bruce Schutt  
Dennis Vander Wel, Chief  
Brad White

## CITY PERSONNEL

### ADMINISTRATION

Kent Anderson  
Gary Blythe  
Janet Brown  
Duane Feekes  
Ted Loucks  
Ken Meendering  
Barb Ramsey  
Mary Wichers

Finance Officer  
Assistant Administrator  
City Clerk  
City Administrator  
Public Works Director  
Code Officer  
Billing Clerk  
Receptionist/Secretary

### POLICE DEPARTMENT

Dann De Vries  
Peter De Beer  
Duane Hulstein  
Bruce Jacobsma  
Jim Pottebaum  
Wesley Van Voorst  
Robert Van Zee

Chief of Police  
Police Officer  
Police Officer  
Police Officer  
Police Officer  
Police Officer  
Police Officer

### STREET DEPARTMENT

Don Snieder  
Kirk Maasdam  
Randy Van De Griend

Street Crewman/Mechanic  
Street Crewman  
Street Foreman

### PARKS AND RECREATION

Todd Larson  
Brian Goslinga

Director  
Park Maintenance

### MUNICIPAL BUILDINGS

Bill Van Marel, Jr.

Custodian

### UTILITIES

Alan De Boer  
David Sassman  
Michael Klootwyk  
Jerry Reuvers  
Arlan Scholten  
Walt Schwebach  
Michael Verdoorn  
Alan DeJong  
Gerry Bomgaars  
Ed De Jong

Electric Line Maintenance Worker I  
Water & Wastewater Operator  
Electric Line Maintenance Worker II  
Water & Wastewater Operator  
Electric Department Foreman  
Water & Wastewater Foreman  
Electric Line Maintenance Worker I  
Electric Line Maintenance Worker I  
Gas Utility Foreman  
Gas Utility Crewman

### AIRPORT

Ron Vander Weide

Base Operator

### HOSPITAL

Martin W. Guthmiller  
Dina Baas

Administrator  
Chief Financial Officer

### LIBRARY

Karla Chase

Administrator

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Orange City  
Iowa

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Orange City, Iowa for its comprehensive annual financial report for the fiscal year ended June 30, 2006. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report whose contents conform to program standards. Such comprehensive annual financial report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.



21 1<sup>st</sup> Avenue NW  
P.O. Box 1010  
Le Mars, IA 51031  
Phone (712) 546-7801  
Fax (712) 546-6543

## **INDEPENDENT AUDITORS' REPORT**

The Honorable Members of the City Council  
City of Orange City, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the CITY OF ORANGE CITY, IOWA (the City) as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We did not audit the financial statements of the Orange City Municipal Hospital, (a discretely presented component unit), which statements reflect total assets of \$52,000,570 and total operating revenues of \$30,693,678 for the year then ended. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion insofar as it relates to the amounts included for the Orange City Municipal Hospital, is based solely on the report of the other auditors.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the U.S. Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit, and the report of the other auditors, provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2007, on our consideration of the City of Orange City, Iowa's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The accompanying Introductory Section and Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City of Orange City, Iowa. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on it.

The accompanying combining non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Williams & Company, P.C.*  
Certified Public Accountants

Le Mars, Iowa  
December 27, 2007

## **Management's Discussion and Analysis**

**June 30, 2007**

This discussion and analysis of the City of Orange City financial performance provides an overview of the City's financial activities for the fiscal year ending June 30, 2007. We encourage the readers to consider the information presented here in conjunction with the additional information furnished in our letter of transmittal on page 1 and the City's financial statements that follow this report, as well as the separately issued financial statements of Orange City's Hospital, a discretely presented component unit of the City.

### **Financial Highlights**

- The assets of the City of Orange City exceeded liabilities at June 30, 2007 by \$26,975,192. Of this amount, \$4,052,404 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's net assets increased by \$1,256,752 during the year. Of this amount, the assets of our Governmental Activities increased by \$1,428,881 and the assets of our Business Activities decreased \$172,129.
- The City's long-term debt increased \$325,000 during the current fiscal year. The key factor in the increase was the issuance of \$1,100,000 in electric revenue bonds and \$450,000 of General Obligation Capital Loan Notes. Outstanding General Obligation debt totals \$7,830,000.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

In addition to the Management Discussion and Analysis, this annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements tell how these services were financed in the short term, as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government. An additional part of the basic financial statements are the Notes to the Financial Statements. This report also contains other supplementary information in addition to the basic financial statements.



## REPORTING THE CITY AS A WHOLE

### The Statement of Net Assets and the Statement of Activities

The government-wide statements report information about the City as a whole using accounting methods similar to those used by the private sector companies. The Statement of Net Assets includes all of the government's assets and liabilities. All of the current year's revenue and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

These statements include all assets and liabilities using the accrual basis of accounting, which is very similar to the method of accounting used by the private-sector companies. These two statements report the City's net assets, which is the difference between assets and liabilities, as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. Additional factors, such as changes in the City's property tax base and condition of the City's infrastructure, are also important in making this determination.

In the Statement of Net Assets and the Statement of Activities, we have divided the City into two kinds of activities:

- **Governmental Activities** – Most of the City's basic services are reported here, such as Police, Fire, Public Works, and Parks departments, and general administration. Property Taxes finances most of these activities.
- **Business Type Activities** – The City charges fees to customers to cover the cost of these services. Included here are the City Electric, Water, Sewer, and Natural Gas funds.

## REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

### Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds- not the City as a whole. Some funds are required to be established by State law or by bond requirements. The City Council also established funds to control and manage money for particular purposes (such as construction projects) and to show that it is properly using certain revenues (such as Sales Tax Revenues). The City has the following types of funds:

- **Governmental Funds** – Most of the City's basic services are included in Governmental Funds, which focus on how money moves into and out of these funds and the balances left at year-end are available for spending. These funds are reported using the "modified accrual basis" of accounting, which measures cash and all other financial assets that can readily be converted to cash. The Governmental Fund Statements provide a detailed short-term view of the City's general governmental operations and basic services it provides. Governmental Fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance City programs. We describe the relationship between Governmental Activities (reported in the Statement of Net Assets and the Statement of Activities) and Governmental Funds in a reconciliation following each Governmental Fund financial statement.
- **Proprietary Funds** – When the City charges customers for the service it provides, these services are generally reported in Proprietary Funds. Proprietary Funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. The major difference between the Proprietary Funds report and the Business Type Activities we report in the government-wide statements is the detail and additional information, such as cash flows, provided in the Proprietary Funds report.

## **THE CITY AS TRUSTEE**

### **Reporting the City's Fiduciary Responsibilities**

Fiduciary Funds are used to account for resources held for the benefit of parties outside the City government. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets and a Statement of Changes in Fiduciary Net Assets. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found behind the Fiduciary Funds statements.

## **THE CITY AS A WHOLE**

As stated earlier, net assets may serve over time as a useful indicator of a government's financial position. The largest part of the City's net assets reflects its investment in capital assets (land, buildings and improvements, and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must

be provided from the other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following comparative chart shows the changes in net assets for the years ended June 30, 2007 and 2006.

	General Governmental Activities		Business-Type Activities	
	2007	2006	2007	2006
Current and Other Assets	\$ 4,534,528	\$ 3,659,280	\$ 7,466,169	\$ 8,669,131
Capital Assets	16,045,090	15,177,176	17,689,878	16,818,173
Total Assets	20,579,618	18,836,456	26,156,047	25,487,304
Long-Term Liabilities Outstanding	7,877,559	8,160,000	7,110,000	6,465,000
Other Liabilities	3,218,651	2,621,929	1,554,263	1,358,391
Total Liabilities	11,096,210	10,781,929	8,664,263	7,823,391
Net Assets:				
Invested in Capital Assets, Net of Related Debt	11,505,090	10,447,176	10,124,878	9,908,173
Restricted	109,467	103,957	1,183,353	1,098,131
Unrestricted	(2,131,149)	(2,496,606)	6,183,553	6,657,609
Total Net Assets	\$ 9,483,408	\$8,054,527	\$17,491,784	\$17,663,913

	Totals	
	2007	2006
Current and Other Assets	\$12,000,697	\$12,328,411
Capital Assets	33,734,968	31,995,349
Total Assets	46,735,665	44,323,760
Long-Term Liabilities Outstanding	14,987,559	14,625,000
Other Liabilities	4,772,914	3,980,320
Total Liabilities	19,760,473	18,605,320
Net Assets:		
Invested in Capital Assets, Net of Related Debt	21,629,968	20,355,349
Restricted	1,292,820	1,202,088
Unrestricted	4,052,404	4,161,003
Total Net Assets	\$26,975,192	\$25,718,440

This summary reflects a increase of 17.74% for the governmental net assets and a decrease of 1.0% in the business-type net assets. The governmental net asset increase is primarily due to expending resources for capital projects greater than depreciation expense by approximately \$870,000 and retirement of long term debt of approximately \$330,000 greater than new debt issued.

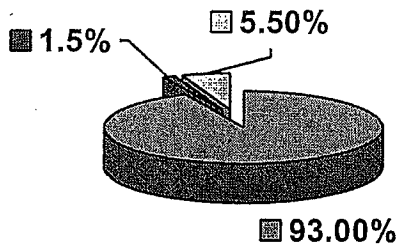
Total revenue reported in Fiscal 2007 was \$15,929,635. The following table breaks down revenues collected for General Governmental Activities and Business-Type Activities for Fiscal Year 2007 and 2006:

Revenue Source	General Governmental Activities		Business-Type Activities	
	2007	2006	2007	2006
<b>Program Revenues:</b>				
Charges for Services	\$ 473,839	\$ 600,423	\$ 11,069,494	\$ 11,203,454
Operating Grants and Contributions	682,784	68,957	-	-
Capital Grants and Contributions	187,158	353,962	-	-
<b>Total Program Revenues</b>	<u>1,343,781</u>	<u>1,023,342</u>	<u>11,069,494</u>	<u>11,203,454</u>
<b>General Revenues &amp; Interfund Transfers:</b>				
Property Taxes	2,460,542	2,264,411	-	-
Local Option Sales Tax	558,312	527,909	-	-
Interest	102,119	41,833	154,986	126,627
General Intergovernmental Revenues	-	467,540	-	-
Revenue from Use of Property	-	13,509	-	-
Gain (Loss) on Sales of Assets	38,640	-	-	-
Miscellaneous	106,100	214,810	95,661	37,173
<b>Total General Revenues</b>	<u>3,265,713</u>	<u>3,530,012</u>	<u>250,647</u>	<u>163,800</u>
Interfund Transfers	1,321,665	326,004	(1,321,665)	(326,004)
<b>Total General Revenues &amp; Interfund Transfers:</b>	<u>\$ 4,587,378</u>	<u>\$ 3,856,016</u>	<u>(1,071,018)</u>	<u>(162,204)</u>
<b>Total Revenues &amp; Interfund Transfers:</b>	<u>\$ 5,931,159</u>	<u>\$ 4,879,358</u>	<u>\$ 9,998,476</u>	<u>\$ 11,041,250</u>

Revenue Source	Totals	
	2007	2006
<b>Program Revenues:</b>		
Charges for Services	11,543,333	11,803,877
Operating Grants and Contributions	682,784	68,957
Capital Grants and Contributions	187,158	353,962
<b>Total Program Revenues</b>	<u>12,413,275</u>	<u>12,226,796</u>
<b>General Revenues &amp; Interfund Transfers:</b>		
Property Taxes	2,460,542	2,264,411
Local Option Sales Tax	558,312	527,909
Interest	257,105	168,460
General Intergovernmental Revenues	-	467,540
Revenue from Use of Property	-	13,509
Gain (Loss) on Sales of Assets	38,640	-
Miscellaneous	201,761	251,983
<b>Total General Revenues</b>	<u>3,516,360</u>	<u>3,693,812</u>
Interfund Transfers	-	-
<b>Total General Revenues &amp; Interfund Transfers:</b>	<u>3,516,360</u>	<u>3,693,812</u>
<b>Total Revenues &amp; Interfund Transfers:</b>	<u>\$ 15,929,635</u>	<u>\$ 15,920,608</u>

Program revenues totaled \$12,413,275 for fiscal year 2007. Governmental Activities provided \$1,343,781 and Business-Type Activities provided \$11,069,494. Revenue collected for Charges for Services during fiscal year 2007 was \$11,543,333, accounting for 93.0% of the total program revenues. The following chart breaks down program revenues by source:

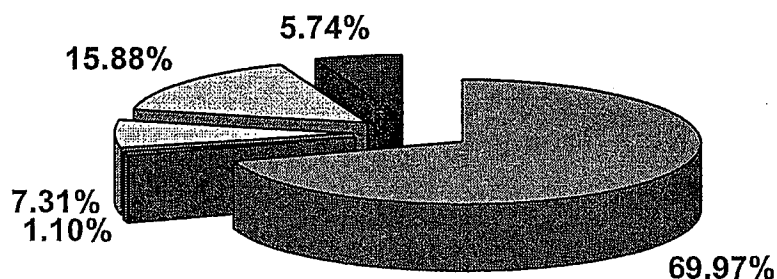
### Program Revenues



- Program Revenue 93.00%
- Operating Grants and Contributions 1.5%
- Capital Grants and Contributions 5.5%

General Revenues for fiscal year 2007 totaled \$3,516,360. Governmental Activities provided \$3,265,713 and Business-Type Activities used \$250,647. Property Tax Revenues for fiscal year 2007 totaled \$2,460,542, accounting for 70.0% of General Revenues. The following chart breaks down General Revenues by source:

### General Revenues



- Taxes 69.97%
- Gain on Sale of Assets 1.10%
- Interest 7.31%
- Other Taxes 15.88%
- Miscellaneous 5.74%

Expenses for Fiscal 2007 totaled \$ 14,897,883. Expenses for General Governmental Activities totaled \$ 4,502,278, accounting for 30% of total expenditures. Business-Type Activity expenditures totaled \$ 10,395,605, for 70% of the total.

The following table shows total expenditures by Function/Program for FY 2007 and FY 2006:

	General Governmental Activities		Business-Type Activities	
	2007	2006	2007	2006
Public Safety	\$ 628,231	\$ 615,728	-	-
Public Works	1,726,845	1,554,367	-	-
Culture and Recreation	1,008,064	934,012	-	-
Community & Economic Development	348,231	66,129	-	-
General Government	427,357	702,510	-	-
Debt Service	363,550	325,456	-	-
Sewer System	-	-	\$ 466,201	\$ 472,866
Water System	-	-	725,194	715,885
Electric System	-	-	5,098,083	4,649,895
Natural Gas System	-	-	4,106,127	4,501,118
Total Expenditures	<u>\$ 4,502,278</u>	<u>\$ 4,198,202</u>	<u>\$10,395,605</u>	<u>\$10,339,764</u>

	Totals	
	2007	2006
Public Safety	\$ 628,231	\$ 615,728
Public Works	1,726,845	1,554,367
Culture and Recreation	1,008,064	934,012
Community & Economic Development	348,231	66,129
General Government	427,357	702,510
Debt Service	363,550	325,456
Sewer System	466,201	472,866
Water System	725,194	715,885
Electric System	5,098,083	4,649,895
Natural Gas System	4,106,127	4,501,118
Total Expenditures	<u>\$ 14,897,883</u>	<u>\$14,537,966</u>

The following table shows the activities included within each program level:

<u>Program Level</u>	<u>Activity</u>
Public Safety	Individual & Community Protection, Physical Health
Public Works	Roadway Construction, Airport Operations, Street Lighting, Transportation Services
Culture and Recreation	Education & Culture, Leisure Time Opportunities
Community and Economic Development	Economic Development, Community Beautification, Planning and Zoning
General Government	Administration, Support Services
Debt Service	Payment of Interest
Capital Projects	Construction of Capital Facilities
Sewer System	Operation of the Waste Water Treatment Plant/Supply Distribution System
Water System	Operation of Water Treatment Plant/Supply Distribution System
Electric System	Operation of Electric Plant/Supply Distribution System
Natural Gas System	Operation of Natural Gas Plant/Supply Distribution System

### **Governmental of Activities**

To aid in the understanding of the Statement of Activities, some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses and Changes in Fund Balance. Please note that the expenses are listed in the first column, with revenues from that particular program reported to the right. The result is a Net (Expense) Revenue calculation. This format highlights the respective financial burden that each of the functions place on the taxpayers. For example, for Public Safety, the City spent \$628,231 and received \$136,343 in revenue, thus leaving a cost to the taxpayer of \$491,888 to be funded by various methods. The new format also identifies how much each function draws from general revenues or is self-financing through fees or grants. Some of the individual line item revenues reported for each function are:

Public Safety	Fines, Fees
Public Works	Road Use Tax, Rent, Special Assessments
Culture and Recreation	Fees, State Aid
General Government	Licenses, Permits
Capital Projects	Donations, State Grants, Federal Grants

The total cost of governmental activities this year was \$4,502,278. Of these costs, \$473,839 was paid by those who directly benefited from the programs. Costs paid by other governments and organizations that subsidized certain programs with grants and contributions was \$869,942, leaving a Net Expense of \$3,158,497 for Governmental Activities. These expenses of \$3,158,497 were covered with tax revenues, interest and other general revenues. The Statement of Activities in the financial statements provides further detail. The Net (Expense) Revenue by Governmental Activity is shown in the following table:

Functions/Programs	Net (Expense) Revenue	
	2007	2006
<b>Governmental Activities:</b>		
Public Safety	\$ (491,888)	\$ (468,856)
Public Works	(884,570)	(879,065)
Culture and Recreation	(680,414)	(785,896)
Community and Economic Development	(322,720)	(30,494)
General Government	(415,355)	(685,094)
Debt Service	(363,550)	(325,456)
Total Net (Expense) Revenue Governmental Activities	(3,158,497)	(3,174,861)
General Revenues & Interfund Transfers	4,587,378	3,856,016
<b>Change in Net Assets</b>	<b>\$ 1,428,881</b>	<b>\$ 681,155</b>

Total resources available during the year to finance governmental operations were \$13,985,686, consisting of Net Assets at July 1, 2006 of \$8,054,527, Program Revenues of \$1,343,781 and General Revenues of \$4,587,378. Total Governmental Activities during the year expended \$ 4,502,278; thus, Net Assets were increased by \$1,428,881 to \$9,483,408.

### Business Type Activities

Business Type Activities decreased the City's net assets by \$(397,129).

The cost of all Proprietary Activities this year was \$10,395,605. As shown in the Statement of Activities, the amounts paid by users of the systems was \$11,069,494, resulting in total Net Revenue for Business Type Activities of \$673,889. The Net (Expense) Revenue by Business Type Activity is shown in the following table:

Business-Type Activities	Net (Expense) Revenue	
	2007	2006
Electric System	\$ 361,063	\$ 501,810
Water System	116,163	149,858
Sewer System	77,922	83,363
Natural Gas System	118,741	128,659
Total Net (Expense) Revenue Business-Type Activities	673,889	863,690
General Revenues & Interfund Transfers	(1,071,018)	(162,204)
<b>Change in Net Assets</b>	<b>\$ (397,129)</b>	<b>\$ 701,486</b>

Total resources available during the year to finance Proprietary Fund activities were



\$27,887,389, consisting of Net Assets at July 1, 2006 of \$17,888,913, Program Revenues of \$11,069,494 and General Revenues of \$(1,071,018). Total Proprietary Fund Activities during the year expended \$10,395,605; thus Net Assets were decreased by \$397,129 to \$17,491,784.

### **Financial Analysis of the City's Funds**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. Unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year. The City's Governmental Funds reported combined ending fund balances of \$1,057,422. The combined Governmental Funds balance increased \$226,856 from the prior year.

The General Fund is the primary operating fund of the City. During the year, revenues exceeded expenditures in the General fund by \$159,529.

The Road Use Tax Fund is used to account for the collection and disbursement of state fuel tax dollars. During the year, revenues exceeded expenditures by \$37,640.

The Local Option Sales Tax Fund is used to account for the collection and disbursement of local option sales tax dollars to be used for property tax replacement and therefore transferred to the general fund.

The Debt Service Fund is used to account for collection of general property taxes for the repayment of general obligation debt.

### **General Fund Budgetary Highlights**

Comparing the fiscal year 2007 original (adopted) General Fund amount of \$2,628,173 to the final budget amount of \$2,721,623 shows a net increase of \$93,450.

Original Budget	Supplemental Changes	Amended Budget
\$2,628,173	\$ 93,450	\$ 2,721,623

The following table shows the General Fund budget variances by program structure:

Expenditures	Amended Budget	Actual	Variance
Public Safety	\$ 651,443	\$ 618,705	\$ 32,738
Public Works	775,836	776,065	(229)
Culture and Recreation	1,103,917	906,654	197,263
Community and Economic Development	472,990	349,564	123,426
General Government	465,769	428,095	37,674
<b>Total Expenditures</b>	<b>\$ 3,469,955</b>	<b>\$ 3,079,083</b>	<b>\$ 390,872</b>

During the year there was a \$93,450 increase in appropriations between the original and final amended budget. Following are the main components of the increase:

- \$ 8,850 supplemental appropriation to the police and fire department for fuel costs and repair to the fire truck.
- \$ 48,500 supplemental appropriation to the airport for a new fueling system.
- \$ 33,100 supplemental appropriation to the fitness center for operating costs.

A part of the increase was possible because of additional revenues. Those revenues included a grant for the airport fueling system, and membership fees for the fitness center. The rest of the appropriations were paid with the fund balance from the general fund.

## Capital Assets

The City's investment in capital assets, including land, buildings and improvements, equipment, streets, and other infrastructure represents the value of the resources utilized to provide services to our citizens. The investment in capital assets as of June 30, 2007, was \$ 33,734,968 (net of accumulated depreciation). The gross additions to capital assets for Fiscal 2007 are as follows:

	General Governmental Activities		Business-Type Activities	
	2007	2006	2007	2006
Land				
Infrastructure		\$ 869,522		
Buildings		9,985		
Improvements-Other than Buildings	\$1,766,064	34,889		
Equipment	126,922	203,257	\$ 62,185	\$ 106,827
Utility Plant		-	497,261	608,447
Construction in Progress	1,935,307	1,837,184	1,090,543	220,685
<b>Total Gross Additions</b>	<b>\$ 3,828,293</b>	<b>2,954,837</b>	<b>\$ 1,649,989</b>	<b>\$ 935,959</b>

	Totals	
	2007	2006
Land		
Infrastructure		\$ 869,522
Buildings		9,985
Improvements-Other Buildings	\$ 1,766,064	34,889
Equipment	189,107	310,084
Utility Plant	497,261	608,447
Construction in Progress	3,025,850	2,057,869
<b>Total Gross Additions</b>	<b>\$5,478,282</b>	<b>\$ 3,890,796</b>

Construction In Progress at June 30, 2007 for governmental activities consisted of costs associated with the Hwy 10 project, Park Improvements, Downtown Streetscape, Wellness Center, Puddlejumper 4<sup>th</sup> Addition, and Airport Improvements.

For Business-Type Activities, the Construction in progress consisted of costs associated with the electric distribution improvements and with the Southwest Well # 3 project.

See Note 6 to the financial statements for more information on the City's capital assets.

## **DEBT ADMINISTRATION**

At year-end the City had \$15,395,000 of debt outstanding. Of this amount, \$ 7,830,000 comprises debt backed by the full faith and credit of the government. The remainder of \$ 7,565,000 is debt represented by bonds secured solely by the specified revenue sources (i.e., revenue bonds).

Debt administration is on track, with over 77% of all City debt repaid within the next 10 years. This rapid repayment, when combined with the use of TIF has allowed the City to maintain our good rating. This reflects well on our community.

The City continues to operate well under State debt capacity limitations. The State limits the amount of General Obligation Debt Outstanding to 5% of the assessed value of all taxable property in the community. Thus, our debt capacity is \$12,193,959. With outstanding General Obligation Debt applicable to this limit of \$7,830,000, we are utilizing 64.20% of this limit. More detailed information on debt administration is provided in Note 7 of the financial statements.

## **ECONOMIC FACTORS**

The City of Orange City worked hard in FY 2007 to maintain a positive approach to growth and development. Continued progressive growth in the Orange City community had a positive effect on the City's unemployment and tax base. The growth in Local Option Sales Tax demonstrates that the Orange City's economy continues to grow.

New housing developments in the city include private development, including water, sewer and paving improvements. The City has worked to market the new industrial park located in the south end of town. The City is looking forward to new industry coming to the community.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Kent Anderson at 712-707-4885.

CITY OF ORANGE CITY, IOWA  
STATEMENT OF NET ASSETS  
JUNE 30, 2007

	Primary Government Governmental Activities	Business-Type Activities	Total	Component Unit Orange City Municipal Hospital
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 212,213	\$ 24,821	\$ 237,034	\$ 3,498,103
Investments	2,061,730	2,175,000	4,236,730	1,100,935
Receivables (Net, where applicable, of allowance for uncollectibles)				
Accounts	26,119	880,319	906,438	4,959,089
Taxes	7,188	-	7,188	
Subsequent Year Taxes	2,210,208	-	2,210,208	
Accrued Interest	23,023	40,696	63,719	14,742
Other	-	10,863	10,863	
Estimated Unbilled Usage	-	343,140	343,140	
Special Assessments	87,164	-	87,164	
Notes Receivable	-	221,966	221,966	
Advances to Other Funds	(57,206)	57,206	-	
Interfund Balances	(387,000)	387,000	-	
Due from Other Governmental Agencies	124,896	73,300	198,196	
Inventories	15,612	454,448	470,060	538,448
Prepaid Assets	91,859	58,708	150,567	174,158
Investment in Joint Venture	-	2,376,153	2,376,153	
Other	-	-	-	199,990
Restricted Assets, Cash and Investments:				
Cash and Cash Equivalents	-	389	389	63,257
Temporary Cash Investments	-	-	-	670,000
Revenue Bond Current Debt Service Account - Investment	-	305,000	305,000	
Revenue Bond Future Debt Service Account - Investment	-	855,000	855,000	
Revenue Bond Renewal & Replacement Account - Investments	-	100,000	100,000	
Pledges Receivable	-	-	-	818,565
Bond Issue Costs	118,722	102,160	220,882	205,081
Land	809,448	339,916	1,149,364	1,139,373
Construction in Progress	2,653,579	1,311,228	3,964,807	50,784
Infrastructure, Property and Equipment, Net of Accumulated Depreciation (Note 6)	12,582,063	16,038,734	28,620,797	38,568,045
<b>Total Assets</b>	<b>20,579,618</b>	<b>26,156,047</b>	<b>46,735,665</b>	<b>52,000,570</b>
<b>LIABILITIES</b>				
Accounts Payable	927,891	875,812	1,803,703	812,910
Accrued Wages and Compensated Absences	53,231	94,429	147,660	1,323,750
Accrued Expenses	27,321	28,491	55,812	109,978
Customer Deposits	-	23,495	23,495	
Deferred Revenue - Subsequent Year Taxes	2,210,208	-	2,210,208	
Payables from Restricted Assets:				
Accrued Interest	-	77,036	77,036	15,226
Revenue Bonds - Current	-	455,000	455,000	
Noncurrent Liabilities:				
Due within one year:				
Revenue Bonds Payable	-	-	-	507,688
General Obligation Bonds	870,000	-	870,000	
Notes Payable	-	-	-	92,828
Compensated Absences and Benefits	47,559	-	47,559	
Due in more than one year:				
Notes Payable	-	-	-	2,000,994
Revenue Bonds Payable	-	7,110,000	7,110,000	22,317,939
General Obligation Bonds	6,960,000	-	6,960,000	
<b>Total Liabilities</b>	<b>11,096,210</b>	<b>8,664,263</b>	<b>19,760,473</b>	<b>27,181,313</b>
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt	11,505,090	10,124,878	21,629,968	14,838,752
Restricted for:				
Debt Service	34,367	1,183,353	1,217,720	605,255
Permanent Funds - nonexpendable	75,100	-	75,100	
Donor Restrictions	-	-	-	818,565
Unrestricted	(2,131,149)	6,183,553	4,052,404	8,556,685
<b>Total Net Assets</b>	<b>\$ 9,483,408</b>	<b>\$ 17,491,784</b>	<b>\$ 26,975,192</b>	<b>\$ 24,819,257</b>

**CITY OF ORANGE CITY, IOWA**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2007**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
Governmental Activities:				
Public Safety	\$ 628,231	\$ 27,321	\$ 109,022	\$ -
Public Works	1,726,845	204,800	543,640	93,835
Culture and Recreation	1,008,064	204,205	30,122	93,323
Community and Economic Development	348,231	25,511	-	-
General Government	427,357	12,002	-	-
Debt Service	363,550	-	-	-
Total governmental activities	<u>4,502,278</u>	<u>473,839</u>	<u>682,784</u>	<u>187,158</u>
<b>Business-Type Activities:</b>				
Electric Utility	5,098,083	5,459,146	-	-
Water Utility	725,194	841,357	-	-
Sewer Utility	466,201	544,123	-	-
Gas Utility	4,106,127	4,224,868	-	-
Total Business-Type Activities:	<u>10,395,605</u>	<u>11,069,494</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 14,897,883</u>	<u>\$ 11,543,333</u>	<u>\$ 682,784</u>	<u>\$ 187,158</u>
<b>Component Unit:</b>				
Orange City Municipal Hospital	<u>\$ 31,348,987</u>	<u>\$ 30,433,437</u>	<u>\$ 260,241</u>	

General Revenues:  
Property taxes  
Local Option Sales Tax  
Interest  
Gain on Sale of Assets  
Miscellaneous  
Interfund Transfers  
Total general revenues and transfers  
Change in net assets  
Net assets - beginning  
Prior Period Adjustment  
Net assets - ending

Net (Expense) Revenue and Changes in Net Assets			Component Unit Orange City Municipal Hospital
Governmental Activities	Business-Type Activities	Total	
\$ (491,888)		\$ (491,888)	
(884,570)		(884,570)	
(680,414)		(680,414)	
(322,720)		(322,720)	
(415,355)		(415,355)	
(363,550)		(363,550)	
<u>(3,158,497)</u>		<u>(3,158,497)</u>	
	\$ 361,063	361,063	
	116,163	116,163	
	77,922	77,922	
	118,741	118,741	
	<u>673,889</u>	<u>673,889</u>	
<u>(3,158,497)</u>	<u>673,889</u>	<u>(2,484,608)</u>	
			\$ (655,309)
2,460,542	-	2,460,542	
558,312	-	558,312	
102,119	154,986	257,105	166,421
38,640	-	38,640	
106,100	95,661	201,761	9,565
1,321,665	(1,321,665)	-	
<u>4,587,378</u>	<u>(1,071,018)</u>	<u>3,516,360</u>	<u>175,986</u>
1,428,881	(397,129)	1,031,752	(479,323)
8,054,527	17,663,913	25,718,440	25,298,580
-	225,000	225,000	
<u>\$ 9,483,408</u>	<u>\$ 17,491,784</u>	<u>\$ 26,975,192</u>	<u>\$ 24,819,257</u>

**CITY OF ORANGE CITY, IOWA**  
**BALANCE SHEET**  
**Governmental Funds**  
**JUNE 30, 2007**

	General	Road Use Tax	Local Option Sales Tax
<b>Assets</b>			
Cash and Pooled Investments	\$ 74,244	\$ 256	\$ 154
Investments	1,351,630	125,000	385,000
Receivables (Net, where applicable, of allowance for uncollectibles)			
Accounts	21,070	-	-
Taxes	3,686	-	-
Subsequent Year Taxes	972,928	-	-
Accrued Interest	17,883	-	3,150
Special Assessments	87,164	-	-
Due from Other Funds	58,000	121,275	87,000
Due from Other Governmental Agencies	694	38,268	85,934
Inventories	-	15,612	-
Total Assets	<u>2,587,299</u>	<u>300,411</u>	<u>561,238</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts Payable	171,897	-	-
Accrued Wages and Compensated Absences	53,231	-	-
Due to Other Funds	5,635	-	-
Unearned Revenue	75,195	-	-
Deferred Revenue - Subsequent Year Taxes	972,928	-	-
Advance from Other Funds	-	-	-
Total Liabilities	<u>1,278,886</u>	<u>-</u>	<u>-</u>
<b>Fund Balances:</b>			
Reserved for:			
Debt Service	-	-	-
Perpetual Care	-	-	-
Inventories	-	15,612	-
Unreserved			
Special Revenue Funds	-	284,799	561,238
Capital Project Funds	-	-	-
General Fund	1,308,413	-	-
Total Fund Balances (Deficits)	<u>1,308,413</u>	<u>300,411</u>	<u>561,238</u>
Total Liabilities and Equity	<u>\$ 2,587,299</u>	<u>\$ 300,411</u>	<u>\$ 561,238</u>

See Accompanying Notes to Financial Statements



Debt Service	Industrial Park Improvements	Highway 10 Widening	Other Governmental Funds	Total Governmental Funds
\$ 31,022	\$ -	\$ -	\$ 106,537	\$ 212,213
-	-	-	200,100	2,061,730
-	-	-	5,049	26,119
3,345	-	-	157	7,188
1,031,280	-	-	206,000	2,210,208
-	-	-	1,990	23,023
-	-	-	-	87,164
-	-	-	50,667	316,942
-	-	-	-	124,896
-	-	-	-	15,612
1,065,647	-	-	570,500	5,085,095
-	-	753,590	2,404	927,891
-	-	-	-	53,231
-	-	684,230	14,077	703,942
-	-	-	-	75,195
1,031,280	-	-	206,000	2,210,208
-	-	-	57,206	57,206
1,031,280	-	1,437,820	279,687	4,027,673
34,367	-	-	-	34,367
-	-	-	75,100	75,100
-	-	-	-	15,612
-	-	-	199,103	1,045,140
-	-	(1,437,820)	16,610	(1,421,210)
-	-	-	-	1,308,413
34,367	-	(1,437,820)	290,813	1,057,422
\$ 1,065,647	\$ -	\$ -	\$ 570,500	\$ 5,085,095

**CITY OF ORANGE CITY, IOWA**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET ASSETS**  
**June 30, 2007**

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Amounts reported for Governmental Activities in the Statement of Net assets are different because:

Total Fund Balance - Governmental Funds (page 30)	\$ 1,057,422
Infrastructure, property, and equipment used in governmental activities are not financial resources and, therefore, are not reported in the funds	16,045,090
Deferred revenues that provide current financial resources for governmental activities	75,195
Accrued expenses from the balance sheet that require current financial resources for governmental activities	(27,321)
Accrued compensated absences not reported on the modified accrual basis	(47,559)
Bond issue costs are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources	118,722
Prepaid expenses are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources	91,859
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	<u>(7,830,000)</u>
Total Net Assets - Governmental Activities (page 26)	<u><u>\$ 9,483,408</u></u>

See Accompanying Notes to Financial Statements

**CITY OF ORANGE CITY, IOWA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**Governmental Funds**  
**Year Ended June 30, 2007**

	General	Road Use Tax	Local Option Sales Tax
Revenue:			
Taxes	\$ 965,970	\$ -	\$ -
Licenses and Permits	3,653	-	-
Intergovernmental	215,144	467,640	-
Charges for Services	396,031	-	-
Fines and Forfeits	24,537	-	-
Contributions from Property Owners	12,965	-	-
TIF Revenue	286,034	-	-
Local Option Sales Tax	34,671	-	523,641
Proceeds from Sale of Real Estate	38,640	-	-
Interest on Investments	69,974	-	12,668
Miscellaneous	86,314	-	-
Total Revenue	2,133,933	467,640	536,309
Expenditures:			
Public Safety	618,705	-	-
Public Works	776,065	-	-
Culture and Recreation	906,654	-	-
Community and Economic Development	349,564	-	-
General Government	428,095	-	-
Capital Projects	-	-	-
Debt Service:			
Principal Retirement	-	-	-
Interest	-	-	-
Total Expenditures	3,079,083	-	-
Excess (deficiency) of revenues over expenditures	(945,150)	467,640	536,309
Other financing sources (uses):			
Issuance of Debt	-	-	-
Transfers In	1,129,679	-	-
Transfers Out	(25,000)	(430,000)	(490,749)
Total other financing sources (uses)	1,104,679	(430,000)	(490,749)
Net Change in Fund Balance	159,529	37,640	45,560
Fund balances (Deficits)-beginning of year	1,148,884	265,192	515,678
Increase in Reserve for Inventory	-	(2,421)	-
Fund balances (Deficits)- end of year	\$ 1,308,413	\$ 300,411	\$ 561,238

See Accompanying Notes to Financial Statements

Debt Service	Industrial Park Improvements	Hiwhway 10 Widening	Other Governmental Funds	Total Governmental Funds
\$ 1,004,960	\$ -	\$ -	\$ -	\$ 1,970,930
-	-	-	-	3,653
-	-	-	93,835	776,619
-	-	-	-	396,031
-	-	-	-	24,537
-	-	-	-	12,965
-	-	-	201,908	487,942
-	-	-	-	558,312
-	-	-	-	38,640
13,038	-	-	6,439	102,119
-	-	29	149,733	236,076
1,017,998	-	29	451,915	4,607,824
-	-	-	-	618,705
-	-	-	-	776,065
-	-	-	-	906,654
-	-	-	-	349,564
-	-	-	-	428,095
-	-	1,307,938	627,372	1,935,310
-	-	-	-	-
705,000	-	-	75,000	780,000
309,898	-	-	48,342	358,240
1,014,898	-	1,307,938	750,714	6,152,633
3,100	-	(1,307,909)	(298,799)	(1,544,809)
-	-	-	450,000	450,000
-	807,735	-	330,000	2,267,414
-	-	-	-	(945,749)
-	807,735	-	780,000	1,771,665
3,100	807,735	(1,307,909)	481,201	226,856
31,267	(807,735)	(129,911)	(190,388)	832,987
-	-	-	-	(2,421)
\$ 34,367	\$ -	\$ (1,437,820)	\$ 290,813	\$ 1,057,422

CITY OF ORANGE CITY, IOWA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2007

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Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds (page 33)	\$ 224,435
<p>Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Capital outlay exceeded depreciation expense in the current year as follows:</p>	
Expenditures for capital assets	\$ 2,081,748
Depreciation expense	<u>(1,213,834)</u> 867,914
Revenues reported in the funds that are not available to provide current financial resources	1,670
Prepaid insurance is not reported in the governmental funds as it is not available to provide current financial resources	7,082
Accrued interest expense that does not require current financial resources	3,068
Long-term accrual of compensated absences is not reported in the governmental funds as it does not consume current financial resources. The net change in in the long-term compensated absences for the year was:	3,090
The issuance of indebtedness is provides current financial resources to the governmental funds without affecting net assets. The statement of activities does not reflect the proceeds from the issuance of long-term debt. The proceeds from the issuance of long-term debt for the year was:	(450,000)
The effect of bond issuance costs when new debt is issued, whereas, these amounts are deferred and amortized in the Statement of Activities	(8,378)
The repayment of the principal of bonded long-term debt consumes the current financial resources of governmental funds without affecting the net assets. The statement of activities does not reflect the payment of principal on bonded long-term debt. The principal paid on bonded long-term debt during the current year was:	<u>780,000</u>
Change in net assets of governmental activities (page 28)	<u>\$ 1,428,881</u>

**CITY OF ORANGE CITY, IOWA**  
**COMBINING STATEMENT OF NET ASSETS**  
**Proprietary Funds**  
**June 30, 2007**

	Business Type Activities		
	Electric Utility	Water Utility	Sewer Utility
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	\$ 19,608	\$ 3,002	\$ 2,013
Investments	1,500,000	225,000	350,000
Receivables (Net, where applicable, of allowance for uncollectibles)			
Accounts	564,276	92,285	50,353
Accrued Interest	18,293	9,748	9,656
Other	3,606	1,600	1,649
Estimated Unbilled Usage	208,931	42,516	19,411
TIF Receivable	221,966	-	-
Advances to Other Funds	-	14,306	42,900
Due from Other Funds	35,000	40,000	193,315
Due from Other Governmental Agencies	-	36,650	36,650
Inventories	407,330	18,453	-
Prepaid Assets	23,206	17,434	9,319
Total Current Assets	<u>3,002,216</u>	<u>500,994</u>	<u>715,266</u>
<b>Non Current Assets</b>			
Investment in Joint Venture	1,751,153	625,000	-
Restricted Assets:			
Revenue Bond Current Debt Service - Cash	389	-	-
Revenue Bond Current Debt Service Account - Investment	100,000	120,000	60,000
Revenue Bond Future Debt Service Account - Investment	290,000	255,000	150,000
Revenue Bond Contingency (Renewal and Replacement) Account - Investment	-	100,000	-
Bond Issue Costs	40,443	33,865	7,740
Land	27,539	63,224	249,153
Construction in Progress	1,010,521	300,707	-
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	5,987,466	4,493,404	3,988,003
Total Noncurrent Assets	<u>9,207,511</u>	<u>5,991,200</u>	<u>4,454,896</u>
Total Assets	<u>12,209,727</u>	<u>6,492,194</u>	<u>5,170,162</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts Payable	583,992	10,145	69,984
Accrued Wages and Compensated Absences	49,985	19,225	12,425
Accrued Expenses	16,598	8,680	1,362
Customer Deposits	14,860	-	-
Due to Other Funds	-	-	-
Payables from Restricted Assets:			
Accrued Revenue Bond Interest	18,625	41,202	7,540
Revenue Bonds - Current	120,000	155,000	95,000
Total Current Liabilities	<u>804,060</u>	<u>234,252</u>	<u>186,311</u>
Noncurrent Liabilities:			
Due in more than one year:			
Revenue Bonds Payable	2,745,000	2,220,000	815,000
Total Liabilities	<u>3,549,060</u>	<u>2,454,252</u>	<u>1,001,311</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	4,160,526	2,482,335	3,327,156
Restricted for:			
Debt Service	371,764	433,798	202,460
Unrestricted	4,128,377	1,121,809	639,235
Total Net Assets	<u>\$ 8,660,667</u>	<u>\$ 4,037,942</u>	<u>\$ 4,168,851</u>

See Accompanying Notes to Financial Statements

Business Type Activities	
Gas Utility	Total
\$ 198	\$ 24,821
100,000	2,175,000
173,405	880,319
2,999	40,696
4,008	10,863
72,282	343,140
-	221,966
-	57,206
182,000	450,315
-	73,300
28,665	454,448
8,749	58,708
<u>572,306</u>	<u>4,790,782</u>
-	2,376,153
-	389
25,000	305,000
160,000	855,000
-	100,000
20,112	102,160
-	339,916
-	1,311,228
<u>1,569,861</u>	<u>16,038,734</u>
<u>1,774,973</u>	<u>21,428,580</u>
<u>2,347,279</u>	<u>26,219,362</u>
211,691	875,812
12,794	94,429
1,851	28,491
8,635	23,495
63,315	63,315
9,669	77,036
85,000	455,000
<u>392,955</u>	<u>1,617,578</u>
1,330,000	7,110,000
<u>1,722,955</u>	<u>8,727,578</u>
154,861	10,124,878
175,331	1,183,353
294,132	6,183,553
<u>\$ 624,324</u>	<u>\$ 17,491,784</u>

Business Type Activities		
Sewer Utility	Gas Utility	Total
\$ 544,123	\$ 4,224,868	\$ 11,069,494
544,123	4,224,868	11,069,494
73,879		3,776,513
	3,753,749	4,002,082
83,006	113,932	741,966
111,674	106,547	592,604
147,359	64,221	778,284
415,918	4,038,449	9,891,449
128,205	186,419	1,178,045
33,880	16,405	154,986
8,993	1,889	95,661
(50,283)	(67,678)	(298,260)
		(205,896)
(7,410)	(49,384)	(253,509)
120,795	137,035	924,536
(678,327)		(1,321,665)
(557,532)	137,035	(397,129)
4,726,383	487,289	17,663,913
		225,000
\$ 4,168,851	\$ 624,324	\$ 17,491,784



**CITY OF ORANGE CITY, IOWA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**Proprietary Funds**  
**For the Year Ended June 30, 2007**

	<b>Business Type Activities</b>	
	<b>Electric Utility</b>	<b>Water Utility</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash Received from Customers	\$ 5,419,458	\$ 827,139
Cash Paid to Suppliers for Goods and Services	(3,731,685)	(208,982)
Cash Paid to Employees for Services	(455,077)	(214,560)
Other Nonoperating Income	69,321	15,458
Other Nonoperating Expenses	(205,896)	
Net Cash Provided by Operating Activities	<u>1,096,121</u>	<u>419,055</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
(Increase) Decrease in Investment in Joint Venture	(40,963)	
Acquisition and Construction of Capital Assets	(1,184,543)	(323,628)
Due From Other Governments		18,440
Proceeds from Issuance of Debt	1,081,850	
Notes Receivable	(221,966)	
Principal Paid on Notes and Bonds	(120,000)	(150,000)
Interest Paid on Notes and Bonds	(67,228)	(100,572)
Net Cash (Used) for Capital and Related Financing Activities	<u>(552,850)</u>	<u>(555,760)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>		
Operating Transfers From (To) Other Funds	16,070	(434,408)
Advances From (To) Other Funds		(121,680)
Due From (To) Other Funds	(171,779)	510,261
Net Cash (Used) for Non-Capital Financing Activities	<u>(155,709)</u>	<u>(45,827)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of Investment Securities	(2,490,000)	(650,000)
Proceeds from Sale of Investment Securities	2,050,000	765,000
Interest and Dividends on Investments	52,572	33,101
Net Cash Provided (Used) for Investing Activities	<u>(387,428)</u>	<u>148,101</u>
Net Increase (Decrease) in Cash and Cash Equivalents	134	(34,431)
Cash and Cash Equivalents at Beginning of Year	<u>19,863</u>	<u>37,433</u>
Cash and Cash Equivalents at End of Year	<u>\$ 19,997</u>	<u>\$ 3,002</u>

See Accompanying Notes to Financial Statements

Business Type Activities		
Sewer Utility	Gas Utility	Total
\$ 537,285	\$ 4,198,433	\$ 10,982,315
(43,449)	(3,938,927)	(7,923,043)
(158,668)	(149,076)	(977,381)
8,993	1,889	95,661
		(205,896)
<u>344,161</u>	<u>112,319</u>	<u>1,971,656</u>
		(40,963)
(77,544)	(64,274)	(1,649,989)
18,440		36,880
		1,081,850
		(221,966)
(90,000)	(85,000)	(445,000)
(49,242)	(65,457)	(282,499)
<u>(198,346)</u>	<u>(214,731)</u>	<u>(1,521,687)</u>
		(538,328)
		(129,184)
603,008	(251,680)	689,810
<u>(64,504)</u>	<u>(251,680)</u>	<u>(517,720)</u>
		(525,000)
	(555,000)	(4,220,000)
350,000	630,000	3,795,000
26,705	15,110	127,488
<u>(148,295)</u>	<u>90,110</u>	<u>(297,512)</u>
		(66,984)
	(263,982)	(365,263)
68,997	264,180	390,473
<u>\$ 2,013</u>	<u>\$ 198</u>	<u>\$ 25,210</u>

continued

**CITY OF ORANGE CITY, IOWA**  
**COMBINING STATEMENT OF CASH FLOWS (Continued)**  
**Proprietary Funds**  
**For the Year Ended June 30, 2007**

	<b>Business Type Activities</b>	
	<b>Electric Utility</b>	<b>Water Utility</b>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income	\$ 644,638	\$ 218,783
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	356,166	210,538
Other Non-Operating Income	69,321	15,458
Other Non-Operating Expenses	(205,896)	
(Increase) Decrease in Assets:		
Accounts Receivable	(38,351)	(15,143)
Other	(2,382)	925
Inventories	39,246	(4,883)
Prepaid Expenses	1,632	(535)
Increase (Decrease) in Liabilities		
Accounts Payable	231,758	(12,761)
Accrued Wages and Compensated Absences	3,322	2,589
Accrued Expenses	(4,378)	4,084
Customer Deposits	1,045	
Total Adjustments	451,483	200,272
Net Cash Provided by Operating Activities	\$ 1,096,121	\$ 419,055
Cash and Cash Equivalents	19,608	3,002
Revenue Bond Current Debt Service	389	
Total Cash and Cash Equivalents	\$ 19,997	\$ 3,002

See Accompanying Notes to Financial Statements

Business Type Activities		
Sewer Utility	Gas Utility	Total
\$ 128,205	\$ 186,419	\$ 1,178,045
147,359	64,221	778,284
8,993	1,889	95,661
	-	(205,896)
(7,913)	(25,614)	(87,021)
1,075	(2,011)	(2,393)
-	(3,249)	31,114
1,431	240	2,768
63,603	(111,006)	171,594
1,313	405	7,629
95	(165)	(364)
	1,190	2,235
215,956	(74,100)	793,611
\$ 344,161	\$ 112,319	\$ 1,971,656
2,013	198	24,821
		389
\$ 2,013	\$ 198	\$ 25,210

**CITY OF ORANGE CITY, IOWA**  
**STATEMENT OF FIDUCIARY NET ASSETS.**  
**Agency Funds**  
**June 30, 2007**

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**ASSETS**

Cash and Cash Equivalents	\$ 19,519
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<b>Total Assets</b>	<b>19,519</b>
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**LIABILITIES**

Accounts Payable	19,519
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<b>Total Liabilities</b>	<b>19,519</b>
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**NET ASSETS**

Unrestricted	-
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<b>Total Net Assets</b>	<b>\$ -</b>
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See Accompanying Notes to Financial Statements

**CITY OF ORANGE CITY, IOWA**  
**Notes to Financial Statements**  
**June 30, 2007**

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Orange City, Iowa is a political subdivision of the State of Iowa located in Sioux County, and was incorporated in 1884, under the laws of the State of Iowa, later amended in 1974 under the Home Rule City Act. The City operates under a Council-Manager form of government and administers the following programs as authorized by its charter: public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides electric, water, sewer and gas utilities.

The City's financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The City applies only the applicable FASB pronouncements issued prior to November 30, 1989 in accounting and reporting its proprietary operations. The more significant accounting policies established in GAAP and used by the City are discussed below.

**A. Reporting Entity**

For financial reporting purposes, the City of Orange City, Iowa, has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City.

These financial statements present the City of Orange City, Iowa (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City. Complete financial statements of the individual component unit, which issued separate financial statements as noted below, can be obtained from its respective administrative office.

Discretely Presented Component Unit - The Orange City Municipal Hospital's financial data is reported in a separate column to emphasize that it is legally separate from the City, but is financially accountable to the City. Orange City Area Health Foundation is a component unit of the Orange City Municipal Hospital, so the Foundation's financial data is combined with the Hospital's financial data. The municipal hospital is financially accountable to the City through budget responsibilities and debt issue restrictions.

CITY OF ORANGE CITY, IOWA

Notes to Financial Statements

June 30, 2007

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Jointly Governed Organizations - The City also participates in several jointly governed organizations for which the City is not financially accountable or that the nature and significance of the relationship with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete. City officials are members of the following Boards and Commissions: Sioux County Conference Board, Sioux County Emergency Management Commission, and Sioux County Joint E911 Service Board.

**B. Basic Financial Statements-Government-Wide Statements**

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City's general, special revenue, debt service, capital projects and permanent funds are classified as governmental activities.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts: invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The City first uses restricted resources to finance qualifying activities.

The Government-wide Statement of Activities reports both the gross and net cost of each of the City's functions (public safety, public works, culture and recreation, community and economic development, general government, etc.) and business-type activities. The functions are also supported by general government expenses (including depreciation) by related program revenue, operating grants, and capital grants. Program revenue must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. The City does not allocate indirect costs.

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year activities.

**C. Fund Accounting**

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues or receipts, and expenditures or expenses, as appropriate. Government resources are allocated to, and accounted for, in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled.

CITY OF ORANGE CITY, IOWA  
Notes to Financial Statements  
June 30, 2007

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. GASB No. 34 sets forth minimum criteria for the determination of major funds. The City electively added funds, as major funds, which had a specific community focus. The non-major funds are combined into a single column in the fund financial statements.

**Governmental Fund Types** – The governmental fund financial statements are reported using the current financial resources measurement focus. This means that the focus of the governmental funds' measurement is upon the determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income. The following is a description of the major governmental funds of the City:

- 1) General Fund – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The sources of revenue include property taxes, charges for services, fines and fees, licenses and permits, as well as state and federal grants. The expenditures of the General Fund relate to general administration, police and fire protection, maintenance of public streets, economic development, and culture and recreation.

- 2) Special Revenue Funds

The Road Use Tax Fund is used to account for the operation of street maintenance and construction financed by allocations of state fuel taxes.

The Local Option Sales Tax Fund is used to account for the collection of a 1% local option sales tax to be expended for Capital Improvement/Community Betterment Projects.

- 3) Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

- 4) Capital Project Funds –

Industrial Park Improvements - The Industrial Park Improvement Fund is used to account for the construction of the new industrial park.

Highway 10 Widening – The Highway 10 widening fund is used to account for the construction of a Highway 10 widening project.

**Proprietary Fund Types** – The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. Operating revenues and expenses are distinguished from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The



CITY OF ORANGE CITY, IOWA  
Notes to Financial Statements  
June 30, 2007

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

principal operating revenues of enterprise funds are charges to customers for services. Operating expenses consist of cost of sales and services, administrative expenses and depreciation on capital assets. The U.S. generally accepted accounting principles used are those applicable to similar businesses in the private sector.

- 1) Enterprise Funds – Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis should be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City maintains several business-type activities. The major enterprise funds are listed as follows:

The Electric Fund is used to account for the operation and maintenance of the City's electric systems.

The Water Fund is used to account for the operation and maintenance of the City's water system.

The Sewer Fund is used to account for the operation and maintenance of the City's sewer system.

The Gas Fund is used to account for the operation and maintenance of the City's gas system.

**Fiduciary Fund Types** – Fiduciary funds are used to report assets held in an agency or custodial capacity for others and therefore not available to support City programs. Since agency funds are custodial in nature, they do not involve the measurement of results of operations and are not incorporated into the government-wide financial statements. The City's agency funds include the payroll clearing fund and the puddlejumper trail special assessment fund to account for repayment of special assessment bonds with no governmental commitment.

**D. Basis of Accounting**

Basis of accounting refers to the point at which revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

Accrual basis of accounting is used for all activities in the government-wide financial statements and for the proprietary and fiduciary activities in the fund financial statements. Revenues are recognized when earned and expenses are recognized when incurred.

CITY OF ORANGE CITY, IOWA  
Notes to Financial Statements  
June 30, 2007

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Modified accrual basis of accounting is used by all governmental funds in the fund financial statements. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers property taxes as available if they are collected within 60 days after year-end. A one-year availability period is used for revenue recognition for all other governmental fund revenues.

Expenditures are recorded when the related fund liability is incurred. An exception to this general rule is that principal and interest on general obligation debt, if any, is recognized when due.

Those revenues susceptible to accrual are property taxes, assessments, and intergovernmental revenues. Licenses, fines and permits are not susceptible to accrual because generally they are not measurable until received in cash.

**E. Budgets**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, disbursements exceeded the amount budgeted in the debt service and public works functions.

**F. Cash And Cash Equivalents And Investments**

The City is authorized by statute to invest public funds not currently needed for operating expenses in notes, certificates, bonds, prime eligible bankers acceptances, certain high rated commercial paper, perfected repurchase agreements, or other evidences of indebtedness which are obligations of or guaranteed by the United States of America or any of its agencies, or in time deposits or savings accounts in depositories approved by the City Council.

**1) Cash and Cash Equivalents**

Includes demand deposits, cash on hand and cash investments with original maturities of three months or less.

**2) Investments**

The City and its component unit use the following methods in determining the reported amounts.

**CITY OF ORANGE CITY, IOWA**  
**Notes to Financial Statements**  
**June 30, 2007**

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

<u>City</u>	<u>Type</u>	<u>Method</u>
	Nonnegotiable Certificates of Deposit	Cost
	Iowa Public Agency Investment Trust	Fair Value determined by current share price
<u>Component Unit</u>		
	Interest-earning investment contracts	
	Nonnegotiable certificates of deposit	Cost
	Open-end mutual funds	
	(governmental external investment pool registered	Fair Value determined by
	As an investment company)	current share price
	Publicly traded mutual funds	Fair Value based on
		quoted market prices
	Debt Securities	
	Negotiable certificates of deposit and U.S. Government	
	Agency Securities	
	Maturity of one year or less when purchased	Amortized cost
	Maturity to more than one year when purchased	Fair Value based on quoted
		Market prices

**G. Property Tax Receivable**

Property tax in Governmental Funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the City Council to the County Board of Supervisors. Current year delinquent property taxes receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the City Council to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City Council is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2006. Any county collections on the 2006-2007 tax levy remitted to the City within 60 days subsequent to June 30, 2007, are recorded as property tax revenue.

CITY OF ORANGE CITY, IOWA  
Notes to Financial Statements  
June 30, 2007

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**H. Short-Term Interfund Receivables/Payables**

During the course of its operations, the City has numerous transactions between funds to finance operations, provide services, construct assets, and service debt. To the extent that certain transactions between funds have not been paid or received as of June 30, 2007, balances of interfund amounts payable or receivable have been recorded as "due to other funds" and "due from other funds", respectively. Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as interfund balances.

**I. Inventories**

Inventories of governmental funds are valued at cost using FIFO while those of enterprise funds are valued using the average cost method. For fund level reporting, the cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories in the governmental funds are equally offset by a fund balance reserve which indicates they do not constitute available spendable resources even though they are a component of net current assets. Inventory of the discretely presented component unit is valued at cost using FIFO.

**J. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2007 are recorded as prepaid items.

**K. Restricted Assets**

Revenue bond ordinances require the City to reserve certain cash and investments to provide for payment of bonds and interest, for protection of bondholders, and for extension and improvement of facilities. These balances are separately disclosed in the Enterprise Funds. Other restricted assets include temporary cash investments for the perpetual care fund.

**L. Property and Equipment**

Assets with an initial individual cost of \$5,000 or more are considered capital assets. Property and equipment are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed assets are reported at their fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Infrastructure has been capitalized using historical or estimated historical cost of \$25,000 or more beginning in 1980 as required by GASB 34. Depreciation on all assets is provided on the straight-line basis over the following estimated lives:

CITY OF ORANGE CITY, IOWA  
Notes to Financial Statements  
June 30, 2007

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

Buildings & Improvements	25 – 50 Years
Land Improvements	20 – 50 Years
Utility Plant	20 – 33 Years
Machinery & Equipment	3 – 20 Years
Vehicles	5 – 20 Years
Infrastructure	10 – 65 Years

**M. Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2007. The compensated absences liability attributable to the governmental activities will be paid by the General Fund.

**N. Long-Term Obligations**

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the government-wide financial statements. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

**O. Fund Equity**

Reserves represent those portions of fund equity legally segregated for a specific future use.

**P. Interfund Transactions**

Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except interfund services provided and used transactions and reimbursements, are reported as transfers.

**Q. Landfill Closure Costs**

The City does not operate a sanitary landfill; therefore, no closure/post closure costs are included in these statements.

**CITY OF ORANGE CITY, IOWA**  
**Notes to Financial Statements**  
**June 30, 2007**

**Note 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS**

The City's deposits at June 30, 2007, were entirely covered by Federal Depository Insurance collateralized with securities or letters of credit held by the City or the City's agent in the City's name, or by a multiple financial institution collateral pool in accordance with Chapter 12C of the Code of Iowa. Chapter 12C provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligation of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; and certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30 the primary governments investments were reported at amortized cost as follows:

	<u><b>Maturities</b></u>	
Negotiable Certificates of Deposit	7/2007-12/2007	\$ 5,436,730
Iowa Public Agency Investment Trust	Daily	<u>60,000</u>
Totals		<u>\$ 5,496,730</u>

**Component Unit:**

The Hospital's investments, except the mutual funds, are insured or registered or for which the securities are held by the Hospital or its agent in the Hospital's name. The mutual fund investments are uninsured and unregistered, with securities held by the counter party or by its trust department or agent, but not in the Hospital's name. All investments listed below, except the U.S. Government agency securities, are subject to custodial credit risk. The Hospital does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates (interest rate risk).

As of June 30, 2007, the Hospital's investments are reported at a fair value based upon quoted market prices except for the Iowa Public Agency Investment Trust which is valued at amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940 as follows:

	<u><b>Maturities</b></u>	
Edward D. Jones & Co., money market funds	Daily	\$ 5,097
Negotiable certificates of deposit	04/15/08-06/08/11	229,941
U.S. Government agency securities	05/27/09-11/01/31	133,061
Mutual Funds	Daily	973,923
Iowa Public Agency Investment Trust	Daily	<u>1,245,415</u>
Totals		<u>\$ 2,587,437</u>

CITY OF ORANGE CITY, IOWA  
Notes to Financial Statements  
June 30, 2007

**Note 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS – (Continued)**

The primary objectives of the Hospital's investment policy include the safety and preservation of principal in the overall investment portfolio, the maintenance of necessary liquidity to match expected liabilities, and obtaining a reasonable return. The investment policy limits the investing of operating funds to instruments that mature within three hundred ninety-seven days. Funds not identified as operating funds may be invested in investments with maturities longer than three hundred ninety-seven days, provided that the maturities shall be consistent with the needs and use of the Hospital.

There were no significant changes in investments held during the fiscal year ended June 30, 2007.

**Note 3 - PLEDGES RECEIVABLES**

At June 30, 2007, the component unit's Foundation pledges receivable consisted of pledges restricted for the building of a new health campus and are discounted at 4.39%. An allowance has been established to offset future uncollectible pledges and has been estimated by management to be \$250,000 as of June 30, 2007.

A summary of the activity in pledges receivable for the year ended June 30, 2007 is as follows:

Beginning pledges receivable	\$ 1,415,710
Pledges made during the year	96,785
Pledge payments received	(817,930)
Decrease in discount of future payments receivable	59,000
Decrease in allowance for uncollectible pledges receivable	65,000
Total	<u>\$ 818,565</u>

Pledges receivable at June 30, 2007, are expected to be received as follows:

Year Ending June 30	
2008	\$ 569,783
2009	569,782
	<u>1,139,565</u>
Less allowance and discounts on pledges receivable	(321,000)
Total	<u>\$ 818,565</u>

**Note 4 - DUE FROM OTHER GOVERNMENTS**

At June 30, 2007, amounts due from other governments were as follows:

Due from the Iowa Department of Transportation for road use tax allocations	\$ 38,268
Due from the State of Iowa for local option sales taxes	85,934
Due from Landsmeer Ridge for a construction advance	73,300
Due from the Sioux County Clerk of Court for local fines	694
Total Due from Other Governments	<u>\$ 198,196</u>

**CITY OF ORANGE CITY, IOWA**  
**Notes to Financial Statements**  
**June 30, 2007**

**Note 5 - INTERFUND RECEIVABLES AND PAYABLES**

As of June 30, 2007, short-term interfund borrowings were as follows:

<u>Fund Due To</u>	<u>Fund Due From</u>	<u>Amount</u>
Road Use Tax	General Fund	\$ 5,635
Nonmajor Governmental Funds	Nonmajor Governmental Funds	14,077
Nonmajor Governmental Funds	Highway 10 Widening Fund	36,590
Road Use Tax	Highway 10 Widening Fund	115,640
Local Option Sales Tax	Highway 10 Widening Fund	87,000
General Fund	Highway 10 Widening Fund	58,000
Sewer Fund	Gas Fund	63,315
Water Fund	Highway 10 Widening Fund	40,000
Sewer Fund	Highway 10 Widening Fund	130,000
Electric Fund	Highway 10 Widening Fund	35,000
Gas Fund	Highway 10 Widening Fund	182,000
		<u>\$ 767,257</u>

As of June 30, 2007 long-term advances were as follows:

<u>Fund Due To</u>	<u>Fund Due From</u>	<u>Amount</u>
Proprietary Fund – Sewer	Nonmajor Governmental Funds	\$ 42,900
Proprietary Fund – Water	Nonmajor Governmental Funds	14,306
		<u>\$ 57,206</u>

Interfund receivables and payables and long-term advances are used to record negative pooled cash and to record money advanced to internally finance various projects.

**Note 6 - CAPITAL ASSETS**

A summary of changes in capital assets is as follows:

**Primary Government**

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 809,448	\$ -	\$ -	\$ 809,448
Construction in Progress	2,461,556	1,935,307	1,743,284	2,653,579
Total capital assets not being depreciated	<u>3,271,004</u>	<u>1,935,307</u>	<u>1,743,284</u>	<u>3,463,027</u>
Capital assets being depreciated:				
Buildings	4,415,604	-	-	4,415,604
Improvements	1,114,125	1,766,064	-	2,880,189
Equipment	1,667,600	126,922	64,698	1,729,824
Infrastructure	28,459,932	-	-	28,459,932
Total capital assets being depreciated	<u>35,657,261</u>	<u>1,892,986</u>	<u>64,698</u>	<u>37,485,549</u>



**CITY OF ORANGE CITY, IOWA**  
**Notes to Financial Statements**  
**June 30, 2007**

**Note 6 - CAPITAL ASSETS – (Continued)**

Primary Government	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
Less: Accumulated Depreciation for:				
Buildings	\$ 2,257,673	\$ 144,285	\$ -	\$ 2,401,958
Improvements	927,518	75,788	-	1,003,306
Equipment	1,088,652	106,492	61,437	1,133,707
Infrastructure	19,477,246	887,269	-	20,364,515
Total Accumulated Depreciation	23,751,089	1,213,834	61,437	24,903,486
Total capital assets being depreciated, net	11,906,172	679,152	3,261	12,582,063
Governmental activities capital assets, net	\$ 15,177,176	\$ 2,614,459	\$ 1,746,545	\$ 16,045,090

Construction in progress at June 30, 2007, for the governmental activities consisted of costs associated with several street projects, the new industrial park, airport improvements and the new wellness center.

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
<b>Business-Type Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 339,916	\$ -	\$ -	\$ 339,916
Construction in Progress	220,685	1,090,543	-	1,311,228
Total capital assets not being depreciated	560,601	1,090,543	-	1,651,144
Capital assets being depreciated:				
Buildings	3,307,658	-	-	3,307,658
Improvements	80,560	-	-	80,560
Equipment	2,353,042	62,185	-	2,415,227
Utility Plant	23,163,837	497,261	-	23,661,098
Total capital assets being depreciated	28,905,097	559,446	-	29,464,543
Less: Accumulated Depreciation	12,647,525	778,284	-	13,425,809
Total capital assets being depreciated, net	16,257,572	(218,838)	-	16,038,734
Business-type activities capital assets, net	\$ 16,818,173	\$ 871,705	\$ -	\$ 17,689,878

Construction in progress at June 30, 2007 for Business-Type Activities consisted of costs associated with utility plant expansions in the Electric and Water Funds.

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
Public Safety	\$ 48,756
Public Works	1,015,843
Culture and Recreation	135,938
General Government	13,297
Total depreciation expense – governmental activities	\$ 1,213,834

**CITY OF ORANGE CITY, IOWA**  
**Notes to Financial Statements**  
**June 30, 2007**

**Note 6 - CAPITAL ASSETS - (Continued)**

Business-Type Activities:	
Electric	\$ 356,166
Water	210,538
Sewer	147,359
Gas	64,221
	<u>64,221</u>
Total depreciation expense - business-type activities	<u>\$ 778,284</u>

A summary of changes in capital assets for the discretely presented component unit is as follows:

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
<b>Component Unit:</b>				
Capital assets not being depreciated:				
Land	\$ 1,139,373	\$ -	\$ -	\$ 1,139,373
Construction in Progress	1,963,082	408,215	2,320,513	50,784
Total capital assets not being depreciated	<u>3,102,455</u>	<u>408,215</u>	<u>2,320,513</u>	<u>1,190,157</u>
Capital assets being depreciated:				
Land Improvements	2,185,276	140,665	-	2,325,941
Buildings	16,932,930	678,289	-	17,611,219
Fixed Equipment	21,736,361	1,542,638	-	23,278,999
Major Movable Equipment	10,939,519	248,821	-	11,188,340
Total capital assets being depreciated	<u>51,794,086</u>	<u>2,610,413</u>	<u>-</u>	<u>54,404,499</u>
Less: Accumulated Depreciation	12,747,628	3,088,826	-	15,836,454
Total capital assets being depreciated, net	<u>39,046,458</u>	<u>(478,413)</u>	<u>-</u>	<u>38,568,045</u>
Governmental Activities Capital Assets-net	<u>\$ 42,148,913</u>	<u>\$ (70,198)</u>	<u>\$ 2,320,513</u>	<u>\$ 39,758,202</u>

**Reconciliation of Investment in Capital Assets:**

	Governmental Activities	Business-Type Activities	Component Unit
Land	\$ 809,448	\$ 339,916	\$ 1,139,373
Construction in Progress	2,653,579	1,311,228	50,784
Capital Assets (net of accumulated depreciation)	12,582,063	16,038,734	38,568,045
Less: General Obligation Bonds Payable	(4,540,000)	-	-
Notes Payable	-	-	(2,093,822)
Revenue Bonds	-	(7,565,000)	(22,825,628)
Investment in Capital Assets, Net of Related Debt	<u>\$ 11,505,090</u>	<u>\$ 10,124,878</u>	<u>\$ 14,838,752</u>

**CITY OF ORANGE CITY, IOWA**  
**Notes to Financial Statements**  
**June 30, 2007**

**Note 7 - LONG-TERM DEBT**

**General Obligation Bonds**

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and projects. General obligation bonds have been issued for governmental activities. These bonds are direct obligations and pledge the full faith and credit of the City.

The City issued one new bond during 2007:

On February 6, 2007, the City issued \$450,000 General Obligation Capital Loan Notes Series 2007A with interest rates ranging from 3.8% to 4.2% and an average life of 5 years. The bonds were sold to Ruan Securities for \$441,750 and the proceeds were used to finance the Park Improvement Project.

General obligation bonds outstanding as of June 30, 2007 are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amounts</u>
Governmental Activities	1.45 – 6.10%	\$ 7,655,000
Governmental Activities – Refunding	2.40 – 3.50%	175,000
		<u>\$ 7,830,000</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2008	\$ 870,000	\$ 323,353	\$ 1,193,353
2009	745,000	287,327	1,032,327
2010	720,000	258,619	978,619
2011	575,000	230,181	805,181
2012	560,000	208,201	768,201
2013-2017	2,630,000	725,773	3,355,773
2018-2022	1,210,000	289,358	1,499,358
2023-2024	520,000	38,603	558,603
Total	<u>\$ 7,830,000</u>	<u>\$ 2,361,415</u>	<u>\$ 10,191,415</u>

**Revenue Bonds**

The City also has issued revenue bonds where the City pledges income derived from the acquired or constructed asset to pay debt service.

On May 23, 2007 the City issued \$1,100,000 Electric Revenue Capital Loan Notes Series 2007B with interest rates ranging from 3.9% to 4.45% and an average life of 7 years. The bonds were sold to Ruan Securities for \$1,081,850 and the proceeds were used to finance utility plant expansion.

**CITY OF ORANGE CITY, IOWA**  
**Notes to Financial Statements**  
**June 30, 2007**

**Note 7 - LONG-TERM DEBT - (Continued)**

Revenue bonds outstanding at June 30, 2007 are as follows:

**Primary Government**

<b>Purpose</b>	<b>Interest Rates</b>	<b>Amounts</b>
Electric Revenue Bonds	1.50 – 4.50%	\$ 2,865,000
Water Revenue Bonds	1.60 – 5.10%	2,375,000
Sewer Revenue Bonds	4.45 – 5.30%	910,000
Gas Revenue Bonds	1.75 – 4.80%	1,415,000
		<u>\$ 7,565,000</u>

**Component Unit**

<b>Purpose</b>	<b>Interest Rates</b>	<b>Amounts</b>
Hospital/Component Unit	4.80 – 6.00%	\$ 3,190,000
Hospital/Component Unit	4.40 – 5.00%	19,684,224
Hospital/Component Unit	5.5%	360,000
		<u>\$ 23,234,224</u>

The amount presented on the statement of Net Assets is shown net of Bond discounts of \$48,597.

Revenue bond debt service requirements to maturity are as follows:

**Primary Government**

<b>Year Ending June 30,</b>	<b>Business-Type Activities</b>					<b>Total</b>
	<b>Electric Principal</b>	<b>Water Principal</b>	<b>Sewer Principal</b>	<b>Gas Principal</b>	<b>Interest</b>	
2008	\$ 120,000	\$ 155,000	\$ 95,000	\$ 85,000	\$ 308,553	\$ 763,553
2009	185,000	160,000	100,000	90,000	294,839	829,839
2010	195,000	105,000	105,000	90,000	277,205	772,205
2011	200,000	105,000	110,000	95,000	258,981	768,981
2012	200,000	110,000	115,000	100,000	239,385	764,385
2013-2017	1,145,000	620,000	385,000	555,000	849,216	3,554,216
2018-2022	820,000	760,000	-	400,000	292,165	2,272,165
2023-2024	-	360,000	-	-	18,528	-
<b>Total</b>	<b>\$ 2,865,000</b>	<b>\$ 2,375,000</b>	<b>\$ 910,000</b>	<b>\$ 1,415,000</b>	<b>\$ 2,538,872</b>	<b>\$ 9,725,344</b>

**CITY OF ORANGE CITY, IOWA**  
**Notes to Financial Statements**  
**June 30, 2007**

**Note 7 - LONG-TERM DEBT -- (Continued)**

**Component Unit**

<u>Year Ending June 30,</u>	<u>Rural Economic Development Loan</u>		<u>Revenue Notes Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 72,000	\$ -	\$ 507,688	\$ 1,169,156
2009	72,000	-	562,048	1,230,001
2010	72,000	-	594,086	1,198,663
2011	72,000	-	627,085	1,165,402
2012	72,000	-	661,099	1,130,148
2013-2017	-	-	3,920,437	4,147,363
2018-2022	-	-	2,770,132	4,043,336
2023-2027	-	-	3,644,673	3,168,795
2028-2032	-	-	4,795,310	2,018,158
2033-2037	-	-	4,791,666	545,549
Total	360,000	-	22,874,224	19,816,571
Less unamortized discount	-	-	(48,597)	-
Total	\$ 360,000	\$ -	\$ 22,825,627	\$ 19,816,571

**Advance and Current Refundings**

In October 2002, the City issued \$1,655,000 in sewer revenue bonds with interest rates ranging from 2.50% to 3.30% to refund the 1992 sewer revenue bonds with interest rates ranging from 3.80% to 6.10%. The City refunded the debt to reduce its total debt service payments over the next three years by \$28,053 and to obtain an economic gain of \$9,000.

In November 2002, the City issued \$940,000 in General Obligation Capital Loan Notes with interest rates ranging from 2.40% to 3.50% to refund the 1993 General Obligation Capital Loan Notes with interest rates ranging from 2.80% to 5.60%. The City refunded the debt to reduce its total debt service payments over the next six years by \$46,921 and to obtain an economic gain of \$1,400.

In July 2004 the City issued \$295,000 in general obligation capital loan notes with interest rates ranging from 2.20% to 3.45% to refund the 1995 general obligation capital loan notes with interest rates ranging from 4.80% to 6.10%. The City refunded the debt to reduce its total debt service payments for the next 6 years by approximately \$14,000 and obtain an economic gain of \$3,000.

**CITY OF ORANGE CITY, IOWA**  
**Notes to Financial Statements**  
**June 30, 2007**

**Note 7 - LONG-TERM DEBT – (Continued)**

**Changes in Long-Term Liabilities**

Long-Term liability activity for the year ended June 30, 2007, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Primary Government:</b>					
<b>Governmental Activities:</b>					
Bonds Payable:					
General Obligation Bonds	\$ 8,160,000	\$ 450,000	\$ 780,000	\$ 7,830,000	\$ 870,000
Compensated Absences	50,649	47,559	50,649	47,559	47,559
<b>Governmental Activity Long-Term Liabilities</b>	<b>\$ 8,210,649</b>	<b>\$ 497,559</b>	<b>\$ 730,649</b>	<b>\$ 7,877,559</b>	<b>\$ 917,559</b>
<b>Business-Type Activities:</b>					
Bonds Payable:					
Revenue Bonds	\$ 6,910,000	\$ 1,100,000	\$ 445,000	\$ 7,565,000	\$ 455,000
Compensated Absences	59,377	65,464	59,377	65,464	65,464
<b>Business-Type Activity Long-Term Liabilities</b>	<b>\$ 6,969,377</b>	<b>\$ 1,165,464</b>	<b>\$ 504,377</b>	<b>\$ 7,630,464</b>	<b>\$ 520,464</b>
<b>Component Unit:</b>					
Bonds Payable:					
Revenue Bonds	\$ 23,741,118	\$ -	\$ 506,893	\$ 23,234,224	\$ 579,688

**Note 8 - NOTES PAYABLE**

The Component Unit Foundation has issued a note payable, dated October 1, 2006, of \$1,750,000 in order to replace a construction note payable used to finance the construction of a Medical Office Building. The loan is payable in monthly installments of \$10,875 through October 2036. The interest rate is fixed at 6.25% through October 2011, afterwards it will become variable and will be adjusted to the five year treasury reported by the Wall Street Journal, rounded to the nearest eighth percent plus three percent. The note is secured by a real estate mortgage and substantially all assets of the Foundation. The United States Department of Agriculture has guaranteed 80% of the loan. The balance outstanding at June 30, 2007 is \$1,733,822.

The following summarizes the maturities of the Foundation's long-term debt:

Year ending June 30,	
2008	\$ 20,828
2009	24,121
2010	25,673
2011	27,324
2012	29,081
Thereafter	1,606,795
Total	<u>\$ 1,733,822</u>

The Foundation capitalized interest cost on the construction related debt during the construction period. For the years ended June 30, 2007 and 2006 the Foundation capitalized \$33,465 and \$16,068 of interest costs and incurred total interest cost of \$115,569 and \$21,312, respectively.

**CITY OF ORANGE CITY, IOWA**  
**Notes to Financial Statements**  
**June 30, 2007**

**Note 9 - TRANSFERS**

The following is a summary of transfers between funds:

	<u>General</u>	<u>Industrial Park Improvement</u>	<u>Nonmajor Governmental</u>	<u>Total Transfers Out</u>
General	\$ -	\$ -	\$ 25,000	\$ 25,000
Road Use Tax	400,000	-	30,000	430,000
Local Option Sales Tax	490,749	-	-	490,749
Water	15,000	284,408	135,000	434,408
Sewer	15,000	523,327	140,000	678,327
Electric	208,930	-	-	208,930
Non Major Governmental				
Total Transfers In	\$ 1,129,679	\$ 807,735	\$ 330,000	\$ 2,267,414

Transfers are used to:

1. Move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.
2. Use unrestricted revenues collected in proprietary funds to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**Note 10 - PENSION AND RETIREMENT**

**Iowa Public Employees Retirement System** - The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70 percent of their annual covered salary and the City is required to contribute 5.75 percent of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City contribution to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$99,679, \$93,063, and \$86,645, respectively, equal to the required contributions for each year.

In addition, the component unit contribution to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$785,154, \$697,339, and \$630,569, respectively, equal to the required contributions for each year.

**Note 11 - MAJOR CUSTOMER**

During the year ended June 30, 2007, electric, water, sewer, and gas charges for services provided by the City to Advanced Brands, Inc. were \$1,266,776, \$330,401, \$153,144 and \$1,351,331, respectively. This represents 23%, 39%, 28% and 32%, respectively, of total charges for services.

**CITY OF ORANGE CITY, IOWA**  
**Notes to Financial Statements**  
**June 30, 2007**

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**Note 12 - RESERVES**

The following schedule reflects all reservations of fund balances as presented in the fund level statements:

	Inventories	Debt Service	Endowments	Total
<b>Special Revenue</b>				
Road Use Tax	\$ 15,612	-	-	\$ 15,612
<b>Debt Service</b>	-	\$ 34,367	-	34,367
<b>Permanent Fund</b>				
Cemetery Perpetual Care	-	-	\$ 75,100	75,100
<b>Total Reserves of Fund Balances</b>	<b>\$ 15,612</b>	<b>\$ 34,367</b>	<b>\$ 75,100</b>	<b>\$ 125,079</b>

**Note 13 - DEFICIT FUND EQUITY**

The City has four funds with deficit equity balances at June 30, 2007. The City intends to finance these deficits from various resources including; road use tax funds, general funds, special assessments, and capital project debt financing.

The individual fund deficits were as follows:

Capital Project – Downtown Streetscape .....	\$ 640
Capital Project – Airport Improvements.....	7,213
Capital Project – Puddle Jumper 4 <sup>th</sup> Addition .....	2,891
Capital Project – Highway 10 Widening .....	\$ 1,437,820

**Note 14 - RISK FINANCING**

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. During the 2006-2007 fiscal year the City has elected to purchase commercial insurance to cover against the risk of loss. There have been no reductions in insurance coverage from prior years, nor were there settlements in excess of insurance coverage the last three years.

**Note 15 - COMMITMENTS**

During the year ended June 30, 2007, the City had entered into a construction contract totaling approximately \$508,439 of which approximately \$404,997 has been expended to date. The remaining balance will be paid as work progresses.



**CITY OF ORANGE CITY, IOWA**  
**Notes to Financial Statements**  
**June 30, 2007**

**Note 16 - INVESTMENT IN JOINT VENTURE**

The City is a participant in the Missouri Basin Municipal Electric Cooperative Association, a joint venture for the construction and maintenance of power lines from the Northwest Iowa Power Cooperative to the City Limits. The construction of the lines is accomplished by NIPCO and there are no actual dedicated lines, but rather an agreement which guarantees the municipalities the right to draw power over the lines at a raw power cost without transmission charges. The City owns a 23.93 percent share of the venture with twelve other cities sharing in the ownership at varying percentages. The City's investment in the joint venture is accounted for by the equity method in the Electric Fund.

Summary financial information of the joint venture for the year ended December 31, 2006 follows:

	<b>Total</b>
Assets .....	<u>\$7,890,223</u>
Liabilities .....	454,448
Equity .....	<u>7,435,775</u>
	<u>7,890,223</u>
Revenues.....	1,068,402
Expenses .....	<u>1,129,825</u>
Net (Decrease) in Equity .....	<u>\$ (61,423)</u>

The joint venture has no outstanding debt. Separately issued financial statements for the joint venture can be obtained directly from the MBMECA administrative offices.

The City is a participant in the Orange City Communications, a joint venture for the construction and maintenance of a high-speed data internet and telecommunications system. The City owns 50 percent share of the venture with Long Lines Limited, Inc. sharing equally in the ownership. Summary financial information of the joint venture for the year ended June 30, 2007 is as follows:

	<b>Total</b>
Assets .....	<u>\$ 4,839,428</u>
Liabilities .....	3,479,646
Equity .....	<u>1,359,782</u>
	<u>4,839,428</u>
Revenues.....	2,472,267
Expenses .....	<u>2,111,290</u>
Net Increase in Equity.....	<u>\$ 360,977</u>

**CITY OF ORANGE CITY, IOWA**  
**Notes to Financial Statements**  
**June 30, 2007**

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**Note 17 - PRIOR PERIOD ADJUSTMENT**

In a prior year an advance to another fund was treated as an expenditure in the Electric Fund portion of an investment for the West Lawn Cemetery was inadvertently omitted from the financial statements. The effect was to increase the Electric Fund retained earnings by \$225,000.

**CITY OF ORANGE CITY, IOWA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE, BUDGET**  
**AND ACTUAL, ALL GOVERNMENTAL AND PROPRIETARY FUNDS - GAAP BASIS**  
**Year Ended June 30, 2007**

	Governmental Fund Type Actual	Proprietary Funds Actual
Revenue:		
Taxes	\$ 1,970,930	\$ -
Licenses and Permits	3,653	-
Intergovernmental	776,619	-
Charges for Services	396,031	11,069,494
Fines and Forfeits	24,537	-
Contributions from Property Owners	12,965	-
TIF Revenue	487,942	-
Local Option Sales Tax	558,312	-
Proceeds from Sale of Real Estate	38,640	-
Interest	102,119	154,986
Miscellaneous	236,076	95,661
Total Revenue	<u>4,607,824</u>	<u>11,320,141</u>
Expenditures:		
Public Safety	618,705	-
Public Works	776,065	-
Culture and Recreation	906,654	-
Community and Economic Development	349,564	-
General Government	428,095	-
Capital Projects	1,935,310	-
Debt Service	1,138,240	-
Business Type Activities	-	10,395,605
Total Expenditures	<u>6,152,633</u>	<u>10,395,605</u>
Excess (deficiency) of revenues over expenditures	(1,544,809)	924,536
Other financing sources (uses):		
Proceeds from Debt Financing	450,000	-
Bond Issue Costs	-	-
Interfund Transfers In	2,267,414	-
Interfund Transfers Out	(945,749)	(1,321,665)
Total other financing sources (uses)	<u>1,771,665</u>	<u>(1,321,665)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	226,856	(397,129)
Fund balances-beginning of year	832,987	17,888,913
Increase/(Decrease) in Reserve for Inventory	(2,421)	-
Fund balances- end of year	<u>\$ 1,057,422</u>	<u>\$ 17,491,784</u>

Orange City Municipal Hospital	Total Actual	Budgeted Amounts		Final Budget Favorable (Unfavorable)
		Original	Final	
\$ -	\$ 1,970,930	\$ 1,968,545	\$ 1,968,545	\$ 2,385
-	3,653	4,025	4,025	(372)
-	776,619	1,765,688	1,841,688	(1,065,069)
30,433,437	41,898,962	45,374,100	46,374,100	(4,475,138)
-	24,537			24,537
-	12,965	10,000	10,000	2,965
-	487,942	160,000	439,000	48,942
-	558,312			558,312
-	38,640			38,640
166,421	423,526	159,400	184,400	239,126
269,806	601,543	131,700	141,700	459,843
<u>30,869,664</u>	<u>46,797,629</u>	<u>49,573,458</u>	<u>50,963,458</u>	<u>(4,165,829)</u>
-	618,705	642,593	651,443	32,738
-	776,065	727,336	775,836	(229)
-	906,654	1,070,817	1,103,917	197,263
-	349,564	192,990	472,990	123,426
-	428,095	463,769	465,769	37,674
-	1,935,310	2,216,331	2,216,331	281,021
-	1,138,240	1,002,405	1,002,405	(135,835)
31,348,987	41,744,592	42,189,435	43,234,435	1,489,843
<u>31,348,987</u>	<u>47,897,225</u>	<u>48,505,676</u>	<u>49,923,126</u>	<u>2,025,901</u>
(479,323)	(1,099,596)	1,067,782	1,040,332	(2,139,928)
-	450,000	1,455,000	1,455,000	(1,005,000)
-	-			-
-	2,267,414	1,057,000	1,057,000	1,210,414
-	(2,267,414)	(1,057,000)	(1,057,000)	(1,210,414)
<u>-</u>	<u>450,000</u>	<u>1,455,000</u>	<u>1,455,000</u>	<u>(1,005,000)</u>
(479,323)	(649,596)	2,522,782	2,495,332	(3,144,928)
25,298,580	44,020,480	44,020,480	44,020,480	-
-	(2,421)	-	-	(2,421)
<u>\$ 24,819,257</u>	<u>\$ 43,368,463</u>	<u>\$ 46,543,262</u>	<u>\$ 46,515,812</u>	<u>\$ (3,147,349)</u>

**CITY OF ORANGE CITY, IOWA**  
**Notes to Required Supplementary Information**  
**June 30, 2007**

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The City's legal compliance for budget to actual comparison is specified in Chapter 384.16 of the Code of Iowa and is for expenditures by program/function. The City budgets on a modified accrual basis. The legal level of control is at the aggregated function level, not at the fund or fund type level. Budgets are prepared on a program basis for all funds except the agency funds.

During the fiscal year 2007, the City held public hearings and amended the operating budget once. The amendment is as follows:

<u>Program</u>	<u>Original Budget</u>	<u>5/21/07 Amendment</u>	<u>Amended Budget</u>
Public Safety	\$ 642,593	\$ 8,850	\$ 651,443
Public Works	723,336	48,500	775,836
Culture & Recreation	1,070,817	33,100	1,103,917
Community & Economic Development	192,990	280,000	472,990
General Government	463,769	2,000	465,769
Debt Service	1,002,405	-	1,002,405
Capital Projects	2,216,331	-	2,216,331
Business Type/Enterprise	42,189,435	1,045,000	43,234,433
Total	<u>\$ 48,505,676</u>	<u>\$ 1,417,450</u>	<u>\$ 49,923,126</u>

**OTHER SUPPLEMENTARY INFORMATION**

**CITY OF ORANGE CITY, IOWA**  
**COMBINING BALANCE SHEET**  
**Governmental Nonmajor Funds**  
**JUNE 30, 2007**

	Special Revenue	Capital Projects			
			14th Street Expansion	Park Improvements	Puddlejumper 4th Addition
	TIF	Wellness Center			
<b>Assets</b>					
Cash and Pooled Investments	\$ 92,572	\$ -	\$ -	\$ 13,965	\$ -
Investments	125,000	-	-	-	-
Receivables (Net, where applicable, of allowance for uncollectibles)					
Accounts	-	-	-	-	-
Taxes	157	-	-	-	-
Subsequent Year Taxes	206,000	-	-	-	-
Accrued Interest	1,990	-	-	-	-
Due from Other Funds	36,590	-	-	14,077	-
<b>Total Assets</b>	<b>462,309</b>	<b>-</b>	<b>-</b>	<b>28,042</b>	<b>-</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts Payable	-	-	-	688	1,716
Due to Other Funds	-	-	-	-	1,175
Deferred Revenue - Subsequent Year Taxes	206,000	-	-	-	-
Advance from Other Funds	57,206	-	-	-	-
<b>Total Liabilities</b>	<b>263,206</b>	<b>-</b>	<b>-</b>	<b>688</b>	<b>2,891</b>
<b>Fund Balances:</b>					
Reserved for:					
Perpetual Care	-	-	-	-	-
Unreserved	199,103	-	-	27,354	(2,891)
<b>Total Fund Balances (Deficits)</b>	<b>199,103</b>	<b>-</b>	<b>-</b>	<b>27,354</b>	<b>(2,891)</b>
<b>Total Liabilities and Equity</b>	<b>\$ 462,309</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 28,042</b>	<b>\$ -</b>

Downtown Streetscape	Airport Improvements	Permanent Fund		Total Governmental Nonmajor Funds
		Cemetery Perpetual Care Fund		
\$ -	\$ -	\$ -	\$ -	106,537
-	-	75,100	-	200,100
-	5,049	-	-	5,049
-	-	-	-	157
-	-	-	-	206,000
-	-	-	-	1,990
-	-	-	-	50,667
-	5,049	75,100	-	570,500
-	-	-	-	2,404
640	12,262	-	-	14,077
-	-	-	-	206,000
-	-	-	-	57,206
640	12,262	-	-	279,687
-	-	75,100	-	75,100
(640)	(7,213)	-	-	215,713
(640)	(7,213)	75,100	-	290,813
\$ -	\$ 5,049	\$ 75,100	\$ -	570,500



CITY OF ORANGE CITY, IOWA  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
Governmental Nonmajor Funds  
YEAR ENDED JUNE 30, 2007

	Special Revenue	Capital Projects			
	TIF	Wellness Center	14th Street Expansion	Park Improvements	Puddlejumper 4th Addition
Revenue:					
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -
TIF Revenue	201,908	-	-	-	-
Interest on Investments	6,089	-	-	350	-
Miscellaneous	54,000	-	-	93,323	-
Total Revenue	261,997	-	-	93,673	-
Expenditures:					
Capital Projects	-	14,433	-	538,492	2,891
Debt Service:					
Principal Retirement	75,000	-	-	-	-
Interest	40,092	-	-	8,250	-
Total Expenditures	115,092	14,433	-	546,742	2,891
Excess (deficiency) of revenues over expenditures	146,905	(14,433)	-	(453,069)	(2,891)
Other financing sources (uses):					
Issuance of Debt	-	-	-	450,000	-
Transfers In	-	-	275,000	25,000	-
Total other financing sources (uses)	-	-	275,000	475,000	-
Net Change in Fund Balance	146,905	(14,433)	275,000	21,931	(2,891)
Fund balances (Deficits)-beginning of year	52,198	14,433	(275,000)	5,423	-
Fund balances (Deficits)- end of year	\$ 199,103	\$ -	\$ -	\$ 27,354	\$ (2,891)

Downtown Streetscape	Airport Improvements	Permanent Fund		Total Governmental Nonmajor Funds
		Cemetery Perpetual Care Fund		
\$ -	\$ 93,835	\$ -	\$ -	\$ 93,835
-	-	-	-	201,908
-	-	-	-	6,439
-	-	2,410	-	149,733
-	93,835	2,410	-	451,915
3,049	68,507	-	-	627,372
-	-	-	-	75,000
-	-	-	-	48,342
3,049	68,507	-	-	750,714
(3,049)	25,328	2,410	-	(298,799)
-	-	-	-	450,000
30,000	-	-	-	330,000
30,000	-	-	-	780,000
26,951	25,328	2,410	-	481,201
(27,591)	(32,541)	72,690	-	(190,388)
\$ (640)	\$ (7,213)	\$ 75,100	\$ -	\$ 290,813

**CITY OF ORANGE CITY, IOWA**  
**COMBINING STATEMENT OF NET ASSETS**  
**Agency Funds**  
**JUNE 30, 2007**

	<b>Puddlejumper View Addition</b>	<b>Payroll Clearing</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ -	\$ 19,519	\$ 19,519
<b>Total Assets</b>	<u>-</u>	<u>19,519</u>	<u>19,519</u>
<b>LIABILITIES</b>			
Accounts Payable	-	19,519	19,519
Due to Bond Holders	-	-	-
<b>Total Liabilities</b>	<u>-</u>	<u>19,519</u>	<u>19,519</u>
<b>NET ASSETS</b>			
Unrestricted	-	-	-
<b>Total Net Assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF ORANGE CITY, IOWA**  
**Combining Statement of Changes in Assets and Liabilities**  
**Agency Funds**  
**Year Ended June 30, 2007**

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
<b><u>PUDDLEJUMPER VIEW ADDITION</u></b>				
<u>Assets</u>				
Cash and Cash Equivalents	\$ 3,990	\$ -	\$ 3,990	\$ -
Investments	125,000	-	125,000	-
Accrued Interest Receivable	139	-	139	-
Total Assets	129,129	-	129,129	-
<u>Liabilities</u>				
Accounts Payable				
Due to Bond Holders	129,129		129,129	-
Total Liabilities	\$ 129,129	\$ -	\$ 129,129	\$ -
<b><u>PAYROLL CLEARING</u></b>				
<u>Assets</u>				
Cash and Cash Equivalents	\$ 21,295	\$ 698,989	\$ 700,765	\$ 19,519
Total Assets	21,295	698,989	700,765	19,519
<u>Liabilities</u>				
Accounts Payable	21,295	698,989	700,765	19,519
Total Liabilities	\$ 21,295	\$ 698,989	\$ 700,765	\$ 19,519
<b><u>ALL FIDUCIARY FUNDS TOTAL</u></b>				
<u>Assets</u>				
Cash and Cash Equivalents	\$ 25,285	\$ 698,989	\$ 704,755	\$ 19,519
Investments	125,000	-	125,000	-
Accounts Receivable	139	-	139	-
Total Assets	150,424	698,989	829,894	19,519
<u>Liabilities</u>				
Accounts Payable	21,295	698,989	700,765	19,519
Due to Bond Holders	129,129	-	129,129	-
Total Liabilities	\$ 150,424	\$ 698,989	\$ 829,894	\$ 19,519

# STATISTICAL SECTION

This part of the City of Orange City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

<b>Contents</b>	<b>Page</b>
<b>Financial Trends</b>	<b>74</b>
These schedules contain trend information to help the reader understand how the Government's financial performance and well-being have changed over time.	
<b>Revenue Capacity</b>	<b>80</b>
These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	
<b>Debt Capacity</b>	<b>84</b>
These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	
<b>Operating Information</b>	<b>91</b>
These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	
<b>Demographic and Economic Information</b>	<b>94</b>
These schedules offer demographic and economic indicators to help the reader understand the environment within the government's financial activities take place.	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

City of Orange City  
Net Assets by Component  
Last Four Fiscal Years  
(accrual basis of accounting)

	Fiscal Year			
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Governmental Activities				
Invested in capital assets, net of related debt	\$ 9,491,848	\$ 10,245,341	\$ 10,447,176	\$ 11,505,090
Restricted	95,709	104,647	103,957	109,467
Unrestricted	<u>1,346,380</u>	<u>(3,044,617)</u>	<u>(2,496,606)</u>	<u>(2,131,149)</u>
Total governmental activities net assets	<u>\$ 10,933,937</u>	<u>\$ 7,305,371</u>	<u>\$ 8,054,527</u>	<u>\$ 9,483,408</u>
Business-type activities				
Invested in capital assets, net of related debt	\$ 8,491,081	\$ 9,243,826	\$ 9,908,173	\$ 10,124,878
Restricted	-	2,828,947	1,098,131	1,183,353
Unrestricted	<u>7,993,884</u>	<u>4,889,654</u>	<u>6,657,609</u>	<u>6,183,553</u>
Total business-type activities net assets	<u>\$ 16,484,965</u>	<u>\$ 16,962,427</u>	<u>\$ 17,663,913</u>	<u>\$ 17,491,784</u>
Primary government				
Invested in capital assets, net of related debt	\$ 17,982,929	\$ 19,489,167	\$ 20,355,349	\$ 21,629,968
Restricted	95,709	2,933,594	1,202,088	1,292,820
Unrestricted	<u>9,340,264</u>	<u>1,845,037</u>	<u>4,161,003</u>	<u>4,052,404</u>
Total primary government net assets	<u>\$ 27,418,902</u>	<u>\$ 24,267,798</u>	<u>\$ 25,718,440</u>	<u>\$ 26,975,192</u>

Note: GASB 34 implemented in 2004 and therefore only 4 years presented.

**City of Orange City  
Changes in Net Assets  
Last Four Fiscal Years  
(accrual basis of accounting)**

	Fiscal Year			
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>Expenses</b>				
Governmental activities:				
Public Safety	\$ 648,483	\$ 571,640	\$ 615,728	\$ 628,231
Public Works	1,489,282	1,503,075	1,554,367	1,726,845
Culture and Recreation	1,104,755	923,700	934,012	1,008,064
Community and Economic Development	88,712	3,510,694	66,129	348,231
General Government	436,509	442,852	702,510	427,357
Capital Projects	299,765	-	-	-
Debt Service	195,476	281,582	325,456	363,550
Total governmental activities expenses	<u>4,262,982</u>	<u>7,233,543</u>	<u>4,198,202</u>	<u>4,502,278</u>
Business-Type Activities:				
Electric	3,969,124	4,360,760	4,649,895	5,098,083
Water	591,156	673,470	715,885	725,194
Sewer	456,873	478,203	472,866	466,201
Gas	2,887,306	3,257,135	4,501,118	4,106,127
Total business-type activities expenses	<u>7,904,459</u>	<u>8,769,568</u>	<u>10,339,764</u>	<u>10,395,605</u>
Total primary government expenses	<u>\$12,167,441</u>	<u>\$16,003,111</u>	<u>\$14,537,966</u>	<u>\$14,897,883</u>
<b>Program Revenues</b>				
Governmental activities:				
Charges for services:				
Public Safety	\$ 111,832	\$ 120,206	\$ 117,314	\$ 27,321
Public Works	154,969	202,243	321,340	204,800
Health and Social Services	4,283	-	-	-
Culture and Recreation	104,938	108,247	118,718	204,205
Community & Economic Development			25,635	25,511
General Government	64,542	79,788	17,416	12,002
Capital Projects		64,195	-	-
Operating grants and contributions	53,302	136,151	68,957	682,784
Capital grants and contributions	107,570	-	353,962	187,158
Total governmental activities program revenues	<u>601,436</u>	<u>710,830</u>	<u>1,023,342</u>	<u>1,343,781</u>
Business-type activities:				
Charges for services:				
Electric	4,536,237	4,635,959	5,151,705	5,459,146
Water	704,566	773,316	865,743	841,357
Sewer	721,442	533,921	556,229	544,123
Gas	3,076,476	3,332,471	4,629,777	4,224,868
Total business-type activities program revenues	<u>9,038,721</u>	<u>9,275,667</u>	<u>11,203,454</u>	<u>11,069,494</u>
Total primary government program revenues	<u>\$ 9,640,157</u>	<u>\$ 9,986,497</u>	<u>\$12,226,796</u>	<u>\$12,413,275</u>
<b>Net (expense)/revenue</b>				
Governmental activities	\$ (3,661,546)	\$ (6,522,713)	\$ (3,174,860)	\$ (3,158,497)
Business-type activities	1,134,262	506,099	863,690	673,889
Total primary government net expense	<u>\$ (2,527,284)</u>	<u>\$ (6,016,614)</u>	<u>\$ (2,311,170)</u>	<u>\$ (2,484,608)</u>

**City of Orange City  
Changes in Net Assets  
Last Four Fiscal Years  
(accrual basis of accounting)**

	Fiscal Year			
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>General Revenues and Other Changes in Net Assets</b>				
Governmental activities:				
Taxes				
Property taxes	1,598,367	1,617,548	2,264,411	2,460,542
Local option sales tax	420,939	601,573	527,909	558,312
Unrestricted grants and contributions	25,219	-	-	-
Investment Earnings	19,059	36,154	41,833	102,119
General Intergovernmental Revenue	518,541	467,121	467,540	-
(Loss)/ Gain on Sale of Assets	-	-	-	38,640
Miscellaneous	156,570	46,997	228,319	106,100
Transfers	199,663	220,926	326,004	1,321,665
Total governmental activities	<u>2,938,358</u>	<u>2,990,319</u>	<u>3,856,016</u>	<u>4,587,378</u>
Business-type activities				
Investment Earnings	84,953	82,711	126,627	154,986
Miscellaneous	76,445	81,406	37,173	95,661
Transfers	(199,663)	(220,926)	(326,004)	(1,321,665)
Total business-type activities	<u>(38,265)</u>	<u>(56,809)</u>	<u>(162,204)</u>	<u>(1,071,018)</u>
Total primary government	<u>\$ 2,900,093</u>	<u>\$ 2,933,510</u>	<u>\$ 3,693,812</u>	<u>\$ 3,516,360</u>
<b>Change in Net Assets</b>				
Governmental activities	\$ (723,188)	\$ (3,532,394)	\$ 681,156	\$ 1,428,881
Business-type activities	1,095,997	449,290	701,486	(397,129)
Total primary government	<u>\$ 372,809</u>	<u>\$ (3,083,104)</u>	<u>\$ 1,382,642</u>	<u>\$ 1,031,752</u>

Note: GASB 34 implemented in 2004 and therefore only 4 years presented.



City of Orange City  
Governmental Activities Tax Revenues By Source  
Last Four Fiscal Years  
(accrual basis of accounting)

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Motel/Hotel Tax</u>	<u>Total</u>
2004	\$ 1,598,367	\$ 420,939	\$ -	\$ 2,019,306
2005	1,617,548	601,573	-	2,219,121
2006	2,264,411	527,909	36,992 1	2,829,313
2007	2,460,542	523,641	34,671	3,018,854

1 First year of tax

City of Orange City  
Fund Balances of Governmental Funds  
Last Four Fiscal Years  
(modified accrual basis of accounting)

	Fiscal Year			
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General fund				
Reserved	-	-	-	-
Unreserved	\$ 872,926	\$ 1,099,175	\$ 1,098,999	\$ 1,308,413
Total General Fund	<u>\$ 872,926</u>	<u>\$ 1,099,175</u>	<u>\$ 1,098,999</u>	<u>\$ 1,308,413</u>
 All other governmental funds				
Reserved	\$ 110,745	\$ 119,480	\$ 121,990	\$ 125,079
Unreserved, reported in:				
Special revenue funds	762,553	703,759	864,920	1,045,140
Capital project funds	<u>(592,550)</u>	<u>(1,520,611)</u>	<u>(1,252,923)</u>	<u>(1,421,210)</u>
Total all other governmental funds	<u>\$ 280,748</u>	<u>\$ (697,372)</u>	<u>\$ (266,013)</u>	<u>\$ (250,991)</u>

Note: GASB 34 implemented in 2004 and therefore only 4 years presented.

City of Orange City  
Changes in Fund Balances of Governmental Funds  
Last Four Fiscal Years  
(modified accrual basis of accounting)

	Fiscal Year			
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>Revenues</b>				
Taxes	\$ 1,458,609	\$ 1,609,486	\$ 1,860,705	\$ 1,970,930
Special Assessments	109,077	64,194	-	-
Licenses and permits	4,295	4,570	3,834	3,653
Intergovernmental	714,322	696,446	955,020	776,619
Charges for services	266,871	322,652	296,673	396,031
Fines and Forfeits	15,218	28,854	25,988	24,537
Contributions from Property Owners	25,219	34,793	21,084	12,965
TIF Revenue	139,758	163,965	437,610	487,942
Local Options Sales Tax	420,938	437,608	527,909	558,312
Proceeds from Sale of Real Estate	-	-	-	38,640
Investment Earnings	19,059	36,155	41,834	102,119
Miscellaneous	162,602	78,438	416,602	236,076
Total revenues	<u>\$ 3,335,968</u>	<u>\$ 3,477,161</u>	<u>\$ 4,587,259</u>	<u>\$ 4,607,824</u>
<b>Expenditures</b>				
Public safety	613,755	536,420	609,050	618,705
Public works	632,850	616,102	777,744	776,065
Culture and recreation	1,021,654	798,874	819,792	906,654
Community and economic development	88,712	57,082	63,075	349,564
General government	430,926	413,772	713,236	428,095
Capital projects	716,091	5,048,122	1,867,298	1,935,310
Debt service				
Principal	460,000	780,000	695,000	780,000
Interest	193,759	266,210	370,809	349,990
Total expenditures	<u>4,157,747</u>	<u>8,516,582</u>	<u>5,916,004</u>	<u>6,144,383</u>
Excess of revenues over (under) expenditures	(821,779)	(5,039,421)	(1,328,745)	(1,536,559)
<b>Other financing sources (uses)</b>				
Issuance of Debt	705,000	4,095,000	1,385,000	450,000
Bond Issue Costs			(22,275)	(8,250)
Transfers In	1,130,113	1,133,175	1,275,555	2,267,414
Transfers Out	(930,450)	(912,249)	(949,551)	(945,749)
Total other financing sources (uses)	<u>904,663</u>	<u>4,315,926</u>	<u>1,688,729</u>	<u>1,763,415</u>
Net change in fund balances	<u>\$ 82,884</u>	<u>\$ (723,495)</u>	<u>\$ 359,984</u>	<u>\$ 226,856</u>
Debt Service as a percentage of noncapital expenditures	15.7%	12.28%	18.02%	18.39%

Note: GASB 34 implemented in 2004 therefore only 4 years presented.

City of Orange City  
Assessed Value and Estimated Actual Value of Taxable Property  
Last Ten Fiscal Years

Fiscal Year Ended June 30	Real Property		Utilities		Total		Assessed Value as a Percentage of Estimated Actual Value
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	
1998	100,186,974	148,270,270	1,124,292	1,124,292	101,311,266	149,394,562	67.81%
1999	101,038,194	158,694,012	1,063,653	1,063,653	102,101,847	159,757,665	63.91%
2000	104,685,474	160,812,584	998,026	998,026	105,683,500	161,810,610	65.31%
2001	106,177,613	167,587,570	386,645	386,645	106,564,258	167,974,215	63.44%
2002	111,996,353	172,401,657	345,740	345,740	112,342,093	172,747,397	65.03%
2003	114,153,308	187,368,989	405,828	405,828	114,559,136	187,774,817	61.01%
2004	121,880,002	197,777,207	457,062	457,062	122,337,064	198,234,269	61.71%
2005	133,223,718	213,808,393	446,521	446,521	133,670,239	214,254,914	62.39%
2006	135,062,294	218,543,204	2,881,675	2,881,675	137,943,969	221,424,879	62.30%
2007	144,958,608	239,180,184	4,698,999	4,698,999	149,657,607	243,879,183	61.37%

City of Orange City  
Property Tax Rates  
and Overlapping Gover-  
Last Ten Fiscal Years

## Overlapping Rates

Taxes due July 1

Taxes delinquent first half - October 1; second half - April 1.

Penalties for delinquency: 1.5 percent per month.

Discount allowed: none

Uncollected taxes handled as follows: delinquent real estate tax list published in newspaper prior to May 16:

Taxes collected by Sioux County and distributed to the City of Orange City in proportion of its levy to all levies.

Tax sale date: first Monday in June.

City of Orange City  
Principal Property Taxpayers  
June 30, 2007

<u>Taxpayer</u>	<u>2007</u>			<u>2006</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>
Vogel Enterprises Inc.	8,232,306	1	7.2%	8,882,303	1	7.8%
American Identity Inc.	7,859,280	2	6.9%	7,859,280	2	6.9%
Advanced Brands LLC	5,658,120	3	4.9%	3,541,440	3	3.1%
Krull Ltd	1,709,380	4	1.5%	1,532,079	5	1.3%
Northwestern State Bank	1,648,610	5	1.4%	897,365	9	0.8%
Iowa State Bank	1,620,440	6	1.4%	1,434,535	6	1.3%
North West Rural Electric	1,605,480	7	1.4%	1,421,292	7	1.2%
Midwest Farmers Coop	1,601,180	8	1.4%	1,637,774	4	1.4%
Pioneer Memorial Home Inc.	1,374,130	9	1.2%			
Revival Animal Health	1,300,590	10	1.1%	1,151,380	8	1.0%
South Town Real Estate	-			871,180	10	0.8%
Totals	<u>\$ 32,609,516</u>		<u>28.5%</u>	<u>\$ 29,228,628</u>		<u>25.5%</u>

Source: Assessed Values are obtained from the Sioux County Courthouse - Assessor's Office.

City of Orange City  
Property Tax Levies and Collections  
Last Ten Fiscal Years

<u>Fiscal Year Ended June 30, 2006</u>	<u>Total Tax Levy for Fiscal Year</u>	<u>Collected within the Fiscal Year of the Levy</u>		<u>Delinquent Tax Collections</u>	<u>Total Collections to Date</u>	
		<u>Amount</u>	<u>Percentage of Levy</u>		<u>Amount</u>	<u>Percentage of Levy</u>
1998	1,113,402	1,123,646	100.92%	-	1,123,646	100.92%
1999	1,110,343	1,120,959	100.96%	-	1,120,959	100.96%
2000	1,226,920	1,245,319	101.50%	-	1,245,319	101.50%
2001	1,255,218	1,289,639	102.74%	-	1,289,639	102.74%
2002	1,360,160	1,428,917	105.06%	-	1,428,917	105.06%
2003	1,438,760	1,467,196	101.98%	-	1,467,196	101.98%
2004	1,578,960	1,531,410	96.99%	-	1,531,410	96.99%
2005	1,574,394	1,609,486	102.23%	-	1,609,486	102.23%
2006	1,858,206	1,860,705	100.13%	-	1,860,705	100.13%
2007	1,964,663	1,970,930	100.32%	-	1,970,930	100.32%

**City of Orange City**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>			<u>Total Primary Government</u>	<u>Per Capita</u>
	<u>General Obligation Bonds</u>	<u>Electric Bonds</u>	<u>Water Bonds</u>	<u>Sewer Bonds</u>	<u>Gas Bonds</u>		
1998	2,610,000	1,375,000	1,270,000	1,150,000	-	6,405,000	1,297
1999	2,925,000	1,120,000	1,180,000	1,030,000	-	6,255,000	1,266
2000	2,915,000	860,000	1,085,000	905,000	-	5,765,000	1,167
2001	2,905,000	585,000	985,000	775,000	-	5,250,000	939
2002	3,105,000	300,000	880,000	1,640,000	-	5,925,000	1,060
2003	3,910,000	-	775,000	1,500,000	-	6,185,000	1,107
2004	4,155,000	2,120,000	2,810,000	1,340,000	1,660,000	12,085,000	2,162
2005	7,470,000	2,005,000	2,670,000	1,170,000	1,580,000	14,895,000	2,665
2006	8,160,000	1,885,000	2,525,000	1,000,000	1,500,000	15,070,000	2,696
2007	7,830,000	2,865,000	2,375,000	910,000	1,415,000	15,395,000	2,755

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.



**City of Orange City  
Ratios of General Bonded Debt Outstanding  
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Less: Amounts Available in Debt Service Fund</u>	<u>Total</u>	<u>Percentage of Estimated Actual Taxable Value of Property</u>	<u>Per Capita</u>
1998	2,610,000	66,147	2,543,853	1.70	514.95
1999	2,925,000	39,582	2,885,418	1.81	584.09
2000	2,915,000	43,236	2,871,764	1.77	581.33
2001	2,905,000	52,136	2,852,864	1.7	510.44
2002	3,105,000	69,792	3,035,208	1.76	543.07
2003	3,910,000	86,413	3,823,587	2.04	684.13
2004	4,155,000	51,637	4,103,363	2.07	734.19
2005	7,470,000	34,407	7,435,593	3.47	1,330.40
2006	8,160,000	21,201	8,138,799	3.72	1,456.22
2007	7,830,000	24,606	7,805,394	3.26	1,396.56

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

Population data can be found in the Schedule of Demographic and Economic Statistics.

See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property for property value data

City of Orange City  
Direct and Overlapping Governmental Activities Debt  
As of June 30, 2007

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u> <sup>1</sup>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes: School District	\$ 772,951	100.00%	\$ 772,951
Debt repaid with property taxes; Sioux County	5,210,000	100.00%	5,210,000
Subtotal, overlapping debt			<u>\$ 5,982,951</u>
City of Orange City direct debt			<u>7,830,000</u>
Total direct and overlapping debt			<u><u>\$ 13,812,951</u></u>

Sources: Debt outstanding data provided by the school and Sioux County Auditor Office.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Orange City. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

<sup>1</sup> The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the county's taxable assessed value that is within the government's boundaries and dividing it by the county's total taxable assessed value.

City of Orange City  
Legal Debt Margin Information  
Last Ten Fiscal Years

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Debt Limit	\$ 7,469,728	\$ 7,987,843	\$ 8,106,089	\$ 8,414,337	\$ 8,654,875	\$ 9,425,888	\$ 9,882,991	\$ 10,712,746	\$ 11,071,244	\$ 12,193,959
Total net debt applicable to limit	2,543,853	2,885,418	2,861,764	2,852,864	3,035,208	3,823,587	4,127,291	7,435,593	8,128,733	7,805,394
Legal debt margin	\$ 4,925,875	\$ 5,102,425	\$ 5,244,325	\$ 5,561,473	\$ 5,619,667	\$ 5,602,301	\$ 5,755,700	\$ 3,277,153	\$ 2,942,511	\$ 4,388,565
Total net debt applicable to the limit as a percentage of debt limit							46.28%	69.41%	73.42%	73.42%

Legal Debt Margin Calculation for Fiscal Year 2007

Assessed value	\$ 239,180,184
Add back: exempt real property	\$ 4,698,999
Total assessed value	\$ 243,879,183
Debt limit (5% of total assessed value)	12,193,959
Debt applicable to limit:	
General obligation bonds	7,830,000
Less: Amount set aside for repayment of general obligation debt	(24,606)
Total net debt applicable to limit	7,805,394
Legal debt margin	\$ 4,388,565

Note: Under state finance law, the City of Orange City's outstanding general obligation debt should not exceed 5 percent of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts s

City of Orange City  
Pledged-Revenue Coverage  
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Electric Charges and Other</u>	<u>Less: Operating Expenses</u>	<u>Net Available Revenue</u>	<u>Debt Service</u>		<u>Coverage</u>
				<u>Principal</u>	<u>Interest</u>	
1998	3,332,699	2,459,694	873,005	220,000	99,067	2.74
1999	3,338,937	2,443,695	895,242	255,000	55,263	2.89
2000	3,635,445	2,850,215	785,230	260,000	42,388	2.60
2001	3,876,350	3,032,551	843,799	275,000	31,149	2.76
2002	4,015,734	3,217,049	798,685	285,000	21,933	2.60
2003	4,331,927	3,387,989	943,938	300,000	6,360	3.08
2004	4,610,432	3,548,978	1,061,454	-	54,302	19.55
2005	4,664,357	3,673,367	990,990	115,000	71,539	5.31
2006	5,198,997	4,119,213	1,079,784	120,000	69,598	5.70
2007	5,526,151	4,458,342	1,067,809	120,000	67,228	5.70

<u>Fiscal Year</u>	<u>Water Charges and Other</u>	<u>Less: Operating Expenses</u>	<u>Net Available Revenue</u>	<u>Debt Service</u>		<u>Coverage</u>
				<u>Principal</u>	<u>Interest</u>	
1998	593,859	245,608	348,251	85,000	62,616	2.36
1999	588,751	388,558	200,193	90,000	58,351	1.35
2000	704,782	317,028	387,754	95,000	53,755	2.61
2001	644,716	391,896	252,820	100,000	49,271	1.69
2002	669,022	379,238	289,784	105,000	44,129	1.94
2003	698,186	367,933	330,253	105,000	39,129	2.29
2004	739,503	344,796	394,707	115,000	18,655	2.95
2005	791,769	365,148	426,621	140,000	106,136	1.73
2006	899,840	403,089	496,751	145,000	103,638	2.00
2007	879,053	412,036	467,017	150,000	100,573	1.86

City of Orange City  
Pledged-Revenue Coverage  
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Sewer Charges and Other</u>	<u>Less: Operating Expenses</u>	<u>Net Available Revenue</u>	<u>Debt Service</u>		<u>Coverage</u>
				<u>Principal</u>	<u>Interest</u>	
1998	469,749	141,239	328,510	120,000	72,107	1.71
1999	466,349	186,786	279,563	120,000	66,069	1.50
2000	514,048	267,632	246,416	125,000	58,390	1.34
2001	534,232	193,088	341,144	130,000	51,890	1.88
2002	639,941	201,980	437,961	135,000	87,819	1.97
2003	644,207	238,419	405,788	155,000	81,103	1.72
2004	768,692	224,702	543,990	160,000	64,438	2.42
2005	564,290	247,456	316,834	170,000	60,038	1.38
2006	593,671	253,267	340,404	170,000	54,853	1.51
2007	578,003	268,559	309,444	90,000	49,243	2.22

<u>Fiscal Year</u>	<u>Gas Charges and Other</u>	<u>Less: Operating Expenses</u>	<u>Net Available Revenue</u>	<u>Debt Service</u>		<u>Coverage</u>
				<u>Principal</u>	<u>Interest</u>	
1998	-	-	-	-	-	
1999	-	-	-	-	-	
2000	-	-	-	-	-	
2001	-	-	-	-	-	
2002	-	-	-	-	-	
2003	2,432,713	2,180,805	251,908	-	46,133	5.46
2004	3,079,659	2,746,305	333,354	115,000	84,730	1.67
2005	3,337,962	3,124,186	213,776	80,000	71,455	1.41
2006	4,637,573	4,368,962	268,611	80,000	61,898	1.89
2007	4,241,273	3,974,228	267,045	85,000	60,138	1.84

City of Orange City  
Principal Employers  
6/30/2007

2007			
<u>Employer</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Advance Brands	600	1.	10.74%
American Identity	350	4	6.26%
Diamond Vogel Paints	375	3	6.71%
EZ Liner Industrial	50	8	0.89%
Med-Tec Inc.	100	6	1.79%
Northwestern College	187	5	3.35%
Orange City Health System	460	2	8.23%
Revival Animal Health	60	7	1.07%
Silent Drive	40	9	0.72%
Tec Industries/Quatro	30	10	0.54%
Total	<u>2,252</u>		40.29%

Note: Source for this data was obtained from Iowa Workforce Development

City of Orange City  
Full-Time Equivalent City Government Employees by Function  
Last Ten Fiscal Years

Function	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General Government	7	8	8	9	9	9	9	9	9	9
Public Safety										
Police Officers	6	6	6	7	7	7	7	7	7	7
Highways and streets	3	3	3	3	3	3	3	3	3	3
Culture and recreation	2	2	2	2	2	2	2	2	3	3
Library	5	5	5	5	5	5	5	5	5	5
Electric	5	5	5	5	5	5	5	5	5	5
Water	2	2	2	2	2	2	2	2	2	2
Sewer	1	1	1	1	1	1	1	1	1	1
Gas	0	1	2	2	2	2	2	2	2	2
Total	31	33	34	36	36	36	36	36	37	37

City of Orange City  
Operating Indicators by Function/Program  
June 30, 2007

<u>Function/Program</u>	<u>2007</u>
<b>General Government</b>	
Zoning Permits Issued	66
<b>Police</b>	
Physical Arrests	102
Parking Violations	239
Traffic Violations	355
<b>Fire</b>	
Emergency Responses	51
Fires Extinguished	8
<b>Refuse Collection</b>	
Refuse collected (tons per day)	8
Recyclables collected (tons per day)	1
<b>Parks &amp; Recreation</b>	
Pool Passes Issued ( Budget Pass)	130
Pool Passes Issued ( Individual Pass)	73
Pool Passes Issued ( Family Pass)	276
Pool Passes Issued ( Senior Pass)	10
<b>Library</b>	
Volumes in collection	63,905
Total volumes borrowed	226,250
<b>Water</b>	
New connections	20
Water main breaks	3
Average daily consumption (thousands of gallons)	953
Peak daily consumption (thousands of gallons)	2,028
<b>Wastewater</b>	
Average daily sewage treatment (thousands of gallons)	950

Sources: Various city departments.



City of Orange City  
Capital Asset Statistics by Function/Program  
June 30, 2007

<u>Function/Program</u>	<u>2007</u>
<b>Police</b>	
Stations	1
Patrol Units	4
<b>Fire Station</b>	1
<b>Other Public Works</b>	
Streets (miles)	47
Streetlights	961
Traffic Signals	2
<b>Parks and recreation</b>	
Aceage	223
Playgrounds	4
Baseball/softball diamonds	2
Soccer/football fields	4
Community Center	1
<b>Water</b>	
Water Mains (miles)	47
Fire Hydrants	275
Storage capacity (thousands of gallons)	950
<b>Wastewater</b>	
Sanitary Sewers (miles)	41
Storm Sewer (miles)	19
Treatment capacity (thousands of gallons)	3,000

**Sources: Various city departments**

City of Orange City  
Demographic and Economic Statistics  
Last Calendar Year

<u>Calendar Year</u>	<u>Population</u>	<u>Personal Income (thousands of dollars)</u>	<u>Per Capita Personal Income</u>	<u>Median Age</u>	<u>Education Level in Years of Schooling</u>	<u>School Enrollment</u>	<u>Unemployment Rate</u>
2005	5589	97,215	17,413	27.9	13	999	2.6%

Sources: Population, median age, and educational level information provided by the United States Census Bureau. School enrollment data provided by the Orange City school districts.

Note: Personal Income is a total for the year. Unemployment rate information is an adjusted yearly average. School enrollment is based on the census at the start of the school year.



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Members of the City Council  
City of Orange City, Iowa

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the CITY OF ORANGE CITY, IOWA as of and for the year ended June 30, 2007, which collectively comprise the City of Orange City, Iowa's basic financial statements, and have issued our report thereon dated December 27, 2007. We did not audit the financial statements of the Orange City Municipal Hospital, a discretely presented component unit, which statements reflect total assets of \$52,000,570 and total operating revenues of \$31,348,987 for the year then ended. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion on these financial statements, insofar as it relates to the amounts included for the Orange City Municipal Hospital, was based solely on the report of the other auditors. We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

***Compliance:***

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have all been resolved.

***Internal Control Over Financial Reporting:***

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal

control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency and a material weakness.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiency in internal control described in the accompanying Schedule of Findings as item II-A-07 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described above is a material weakness.

The City's response to the finding identified in our audit is described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's response, we did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the members of the City Council, management and others within the City of Orange City, Iowa, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City during the course of our audit.

If you have any questions concerning the above matters, we would be pleased to discuss them with you at your convenience.

Certified Public Accountants

December 27, 2007  
Le Mars, Iowa

**CITY OF ORANGE CITY, IOWA**  
**Schedule of Findings**  
**Year Ended June 30, 2007**

**Part I: Summary of the Independent Auditors' Results**

- (a) An unqualified opinion was issued on the financial statements.
- (b) A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

**Part II: Findings Related to the Financial Statements**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.  
There were no prior year audit findings.

**SIGNIFICANT DEFICIENCIES:**

**II-A-07 Financial Reporting**

Observation – During the audit, we identified material amounts of receivables, payables and capital asset additions not recorded in the City's financial statements. Adjustments were subsequently made by the City to properly include these amounts in the financial statements.

Recommendation – The City should implement procedures to ensure all receivables, payables and capital asset additions are identified and included in the City's financial statements.

Response – We will double check these in the future to avoid missing any receivables, payables or capital asset transactions.

Conclusion – Response accepted.

**Part III: Other Findings Related to Required Statutory Reporting**

III-A-07 - Certified Budget – City expenditures during the year ended June 30, 2007, exceeded amounts budgeted in the debt service, and public works functions.

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

III-B-07 - Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

**Part III: Other Findings Related to Required Statutory Reporting - (Continued)**

- III-C-07 - Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. However, we recommend that the amount of coverage be reviewed annually to insure that the coverage is adequate for current operations.
- III-D-07 - Council Minutes - We noted no transactions requiring approval which had not been approved by the Council.
- III-E-07 - Questionable Expenditures - We noted no questionable expenditures during our audit.
- III-F-07 Revenue Bonds - No violations of revenue bond resolutions were noted.
- III-G-07 Business Transactions - There were no business transactions between the City and City officials or employees during the year ended June 30, 2007.
- III-H-07 Cash and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.